

LEGISLATIVE BUDGET ANALYSIS 2007 BIENNIUM

Volume 2 - Revenue Estimates

As Adopted by the Revenue and Transportation Interim Committee



January 2005

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Legislative Budget Analysis

2007 Biennium

Volume 2 – Revenue Estimates

Presented to the Fifty-ninth Legislature

Submitted by the
Legislative Fiscal Division

Helena, Montana
January 2005

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Revenue Estimates

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How to Use This Report

The following report is arranged into six main revenue sections. Each section contains revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. It is more efficient to consider those sources by section due to their commonalities. The six main sections are:

1. Business Taxes
2. Natural Resource Taxes
3. Interest Earnings
4. Consumption Taxes
5. Property Taxes
6. Other General Fund Revenue

The sections are separated by divider pages that list each revenue source within that section. The sources are arranged alphabetically within each section.

The report contains profiles of each revenue source estimated by the RTIC. Fifteen categories of information are provided for each source. These categories and a short description of each follow:

Revenue Description: A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

Applicable Tax Rate(s): This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

Distribution: This section shows how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is shown for each recipient.

Collection Frequency: Timing of the revenue deposited in the state treasury may affect the revenue estimate. Most revenue is usually received on a quarterly or monthly basis.

Major Drivers: The major components that impact a specific revenue source are listed.

Potential Factors Influencing Change: The factors that can influence change to the specific revenue source are listed.

Data Source(s): The various state agencies, federal agencies, companies, information systems, publications, fiscal notes, etc., that were consulted or reviewed in the estimation process are listed.

Contacts: The reader may contact these entities for more information about the revenue source.

Statutory Reference: These are the citations from the Montana Code Annotated (MCA) applicable to the revenue source and include citations for the tax rate, the distribution, and when the tax is due.

% of Total FY 2004 General Fund Revenue: To give the reader an idea of the size of a particular revenue source, its percentage of total fiscal 2004 general fund revenue is provided.

Revenue Estimate Methodology: A general description of the revenue estimating methods and philosophy of the LFD is provided followed by a more detailed explanation of the methodology used to derive assumptions for the revenue source. Legislative impacts that have not been reflected in the tax base or the methodology are included. Methods differ between sources and may change each biennium depending on circumstances.

Revenue Projection: This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections and the projected amounts for fiscal years 2005, 2006, and 2007. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1983 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for fiscal 2005, 2006, and 2007; and 4) the yearly percentage change in general fund.

Forecast Methodology: This section includes a flow chart illustrating a simplified diagram of the methodology used to determine the revenue estimates.

Distribution Methodology: This section includes a flow chart illustrating a simplified diagram of how the revenue received from the source is distributed in the state accounting system.

Revenue Estimate Assumptions: In most cases, the data provided in these tables can be used in the formulas shown in the "Forecast Methodology" to derive the revenue estimate. The tables also show the revenue estimates for fiscal years 2005, 2006, and 2007, the estimated general fund amount, and, if applicable, distributions to other funds or uses.

The remaining portion of this document is the RTIC revenue estimates by revenue source.

OVERVIEW

Purpose

Montana Economic Outlook



Purpose of the Report

As delineated in Section 5-5-227(1) (a), MCA, the Revenue and Transportation Interim Committee (RTIC) is required to prepare “an estimate of the amount of revenue projected to be available for legislative appropriation.” In addition, sections 5-12-302(2) and 5-12-307(6) specifically require the Legislative Fiscal Analyst (LFA) to “estimate revenue from existing and proposed taxes” and also requires the LFA to “assist the revenue and transportation committee in performing its revenue estimating duties...”.

The purpose of this report is to document the RTIC recommendations regarding anticipated revenues for fiscal 2005 through 2007. It should be noted that the accompanying RTIC estimates are based on current federal and state laws and do not include estimates for revenues due to litigation or any other pending legal issues. This position is consistent with past recommendations of the RTIC.

Montana Economic Outlook

Montana state government, like any other business, is influenced by economic and demographic developments. For example, Montana’s economic base as well as the strength of the U.S. economy determines the level of revenues collected from personal and corporate income taxes, property taxes, natural resource taxes, and investment earnings. Similarly, both economic and demographic variables affect state government disbursements for education, human services, corrections, and other governmental services.

Montana’s total revenue base is comprised of a number of taxes and fees plus numerous federal reimbursements or grants. Revenues are further enhanced from the investment of trust monies and idle cash pending disbursement from the state treasury. Since individual income tax is the state’s largest general fund tax source, economic developments or trends in the areas of employment and income levels significantly influence available revenues to fund governmental services. Federal revenue correspondingly is used to fund a number of human service, transportation, and educational services. In a number of instances, general or state special revenue fund dollars are required to provide a state match before the federal funds can be disbursed.

Conversely, Montana’s total expenditure base is targeted toward educational and human service programs with a significant allocation to highway construction. Education and human service costs are driven by some of the same economic and demographic conditions that influence state revenues. If employment levels increase, this usually translates to an increase in population or a reduction in unemployment levels. With population increases comes a corresponding increase in educational and human service costs. A greater population requires a better transportation system not only for the general populace but also for the businesses that expect to expand to meet the needs of an ever-growing population.

Over the past 15 years, Montana has experienced a myriad of economic conditions. The 1990’s were generally good years for Montana’s economy. With a few exceptions, Montana experienced above average employment and wage levels that translated into strong tax revenue growth. This revenue growth was further enhanced by the significant increase in the equity markets and the resulting growth in capital gains income. In 2001 and 2002, the nation was faced with a recession. Montana’s revenue stream was harmed by the same factors that had earlier created extraordinary growth. Yet at this time, the state’s revenues are again increasing.

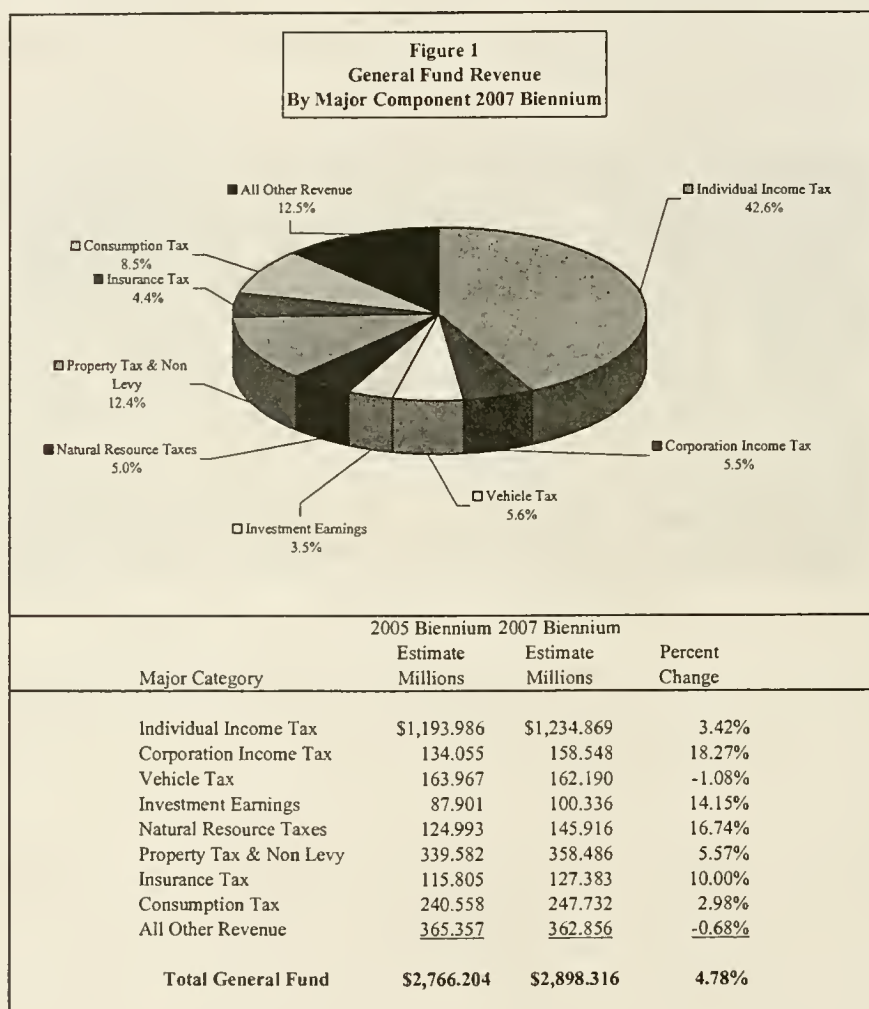
The three income sources primarily responsible for Montana’s revenue reversal are income tax, corporation tax, and oil and natural gas taxes. Individual income tax has experienced increased growth resulting in large part from federal tax reform, a turnaround in wage growth (and especially in real wage growth per worker which pushes taxpayers into higher brackets faster), and a higher capital gains base in 2003 from which future capital gains will grow. These increases in income tax will be somewhat offset by the implementation of SB 407, which reduces tax rates on income and institutes a new capital gains credit of 1 percent beginning January 1, 2005. The capital gains credit increases to 2 percent on January 1, 2007. The corporation license tax has rebounded as Montana corporations recover from the recession of 2001. Additionally, the offset impact of bonus depreciation provisions of 2002 and 2003 federal stimulus plans will now cause a decrease in depreciation for corporations, creating an increase in tax liabilities. Finally, both oil and natural gas prices have increased dramatically in response to the war in Iraq and uncertainty about future supplies, causing a surge of revenues from that source. As a result of the higher prices, new drilling activity in both fuel sources is up substantially.

The legislature faces a brighter picture than two years ago, yet caution is in order. Income tax growth will be moderate during the transition to SB407, and the full effects of the SB 407 tax cuts will not be fully felt until fiscal 2008, when the increase in the capital gains credit to 2 percent becomes effective for a full fiscal year. The bonus depreciation provisions will not add to corporation tax liabilities past the 2007 biennium. Furthermore, there is always uncertainty surrounding the price of oil and a quieting of the war in Iraq could send oil prices down sharply, slowing new drilling activity.

General Fund Revenue Implications

Montana's fiscal outlook for revenue growth is more optimistic than the last biennium. The key economic assumptions targeted as most affecting state government receipts are Montana total income, employment, and population levels, inflation rates, corporate profits, property values, interest rates, and energy prices.

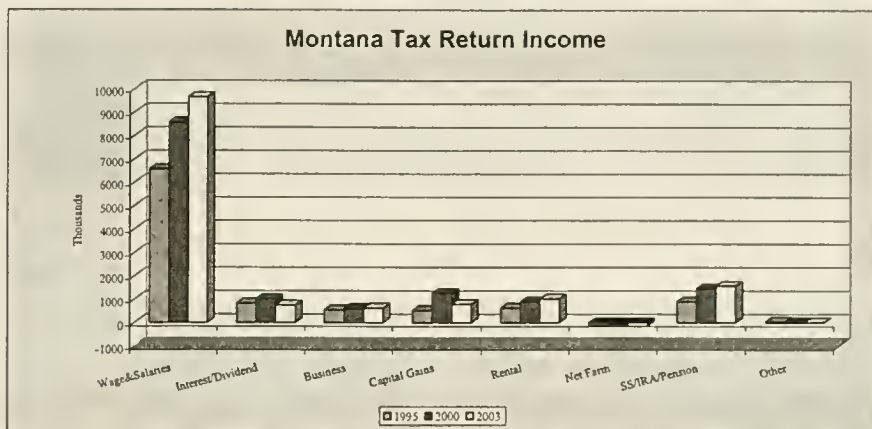
As shown in the following figure, individual income tax, corporation income tax, property tax, vehicle tax, and investment earnings are expected to contribute over 69 percent to the total general fund revenue stream during the 2007 biennium. Total general fund revenues for the 2007 biennium are projected to increase 4.8 percent over the 2005 biennium projections. The comparative change by major revenue category is shown at the bottom of the figure.



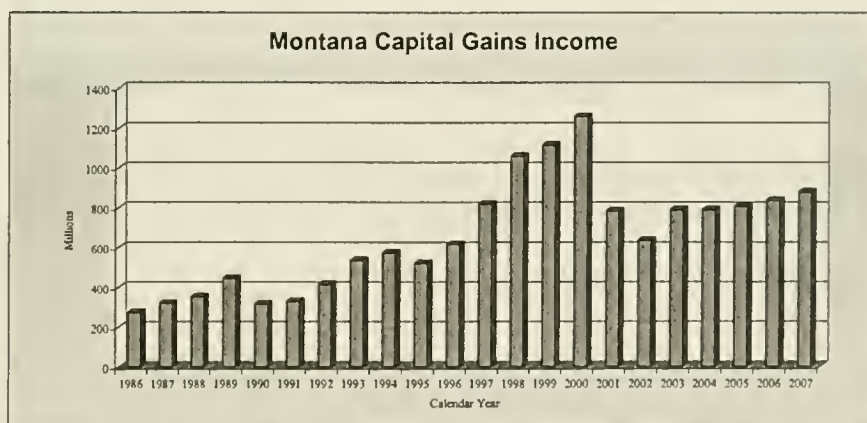
The next section of the report highlights the significant economic assumptions used by the RTIC to develop the revenue estimate recommendations contained in this document. Each assumption is discussed and is graphically portrayed to give the reader a perspective of the historical trend versus the forecast amount.

Montana Total Income

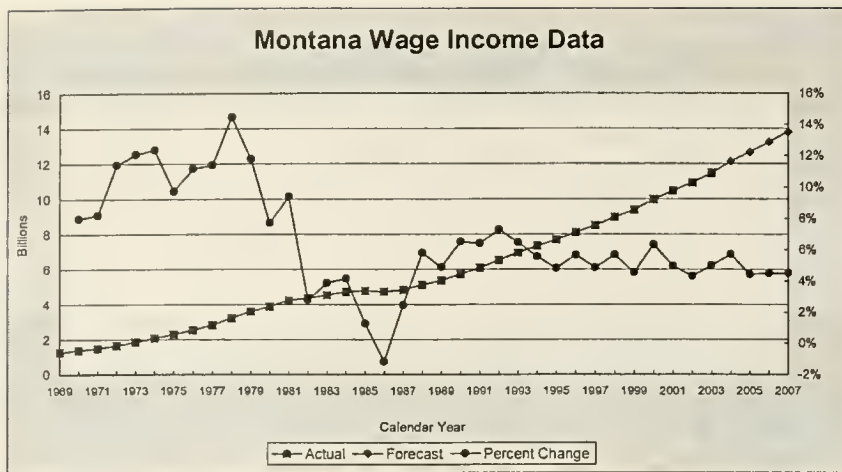
The total of all income sources listed on the Montana personal income tax form is referred to as Montana total income. The Department of Revenue tracks income from 11 different components, including wages, interest, dividends, business, capital gains, supplemental, rental, farm, social security, IRA and pension, and other incomes. Montana total income is the single most important variable to consider in the revenue estimation process. Of the 11 income items, wage and salary income provides the largest portion of Montana total income. Since 1990, wage and salary income has contributed an annual average of 65.2 percent of total income. In calendar 2003, it contributed 67.6 percent, or \$9.650 billion. The average compounded growth from calendar 1990 to 2003 has been 5.6 percent



In recent times, capital gains income has been the focus of much conversation and speculation. Capital gains income has increased in relative importance over the decade. In 1990, capital gains made up only 4.2 percent of total income, with reported income of \$318 million. In 2001, capital gains receded to 5.7 percent of total income, with income at \$786 million, a reduction of over 37.6 percent over the previous year. In 2003, capital gains income was \$791 million and continues to represent nearly 5.5 percent of total income.



In 2002 capital gains income fell by \$622.3 million, but over the next four years it is expected to return to a more normal growth pattern. Capital gains is projected to increase by 11.1 percent between 2004 and 2007, a compound growth rate of 2.7 percent annually.



Montana Wages

The average annual growth in Montana wages and salaries has been 5.5 percent between 1990 and 2003. Lower wage growth has been experienced in the latter half (5.1 percent) of this period than in first half (5.8 percent). This is due to lower growth in employment and lower inflation since 1997. Somewhat countervailing these trends has been an increase in real wage per worker since 1997. The average annual growth in real wage per worker was -0.2 percent between 1990 and 1997, but has averaged 1.3 percent since then. It appears that growth in real wage per worker may reach 1.7 percent in calendar 2004.

The forecast for inflation between calendar years 2003 and 2007 is the same as used by the Congressional Budget Office for the federal budget. Employment is expected to grow at 1.2 percent in calendar years 2004 and 2005, and then 1.3 percent in calendar years 2006 and 2007.

The growth in real wage per worker is forecast to decline to 1 percent per year in calendar years 2005 through 2007 from its current high levels, above the long run average, but below levels seen recently.

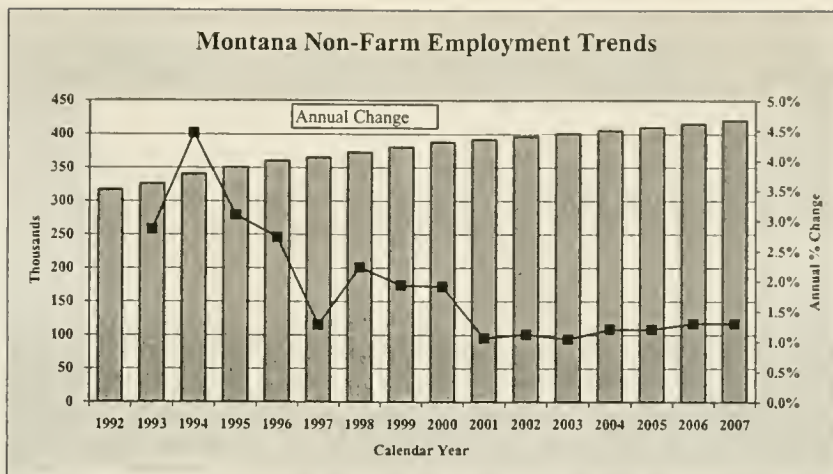
The growth in wages and salaries, unadjusted for inflation, is expected to grow by 5.7 percent in calendar 2004. First half growth in calendar 2004 was 6.0 percent, but second half growth is usually lower than first half growth when first half growth exceeds the long run average.

The growth in wages and salaries is expected to be 4.4 percent in calendar year 2005, and 4.5 percent in calendar years 2006 and 2007.

Wage and Salary Income Growth					
Calendar Year	Employment Growth	Inflation	Real	Wages	
			Wage Per Worker	Growth	
A 1991	2.2%	4.2%	-0.1%	6.4%	
A 1992	4.2%	3.0%	-0.1%	7.3%	
A 1993	2.9%	3.0%	0.5%	6.5%	
A 1994	4.5%	2.6%	-1.5%	5.5%	
A 1995	3.1%	2.8%	-1.1%	4.8%	
A 1996	2.7%	3.0%	-0.1%	5.6%	
A 1997	1.3%	2.3%	1.2%	4.8%	
A 1998	2.2%	1.6%	1.8%	5.7%	
A 1999	1.9%	2.2%	0.3%	4.5%	
A 2000	1.9%	3.4%	0.9%	6.3%	
A 2001	1.1%	2.8%	1.0%	4.9%	
A 2002	1.1%	1.6%	1.6%	4.3%	
A 2003	1.0%	2.3%	1.6%	5.0%	
F 2004	1.2%	2.7%	1.7%	5.7%	
F 2005	1.2%	2.2%	1.0%	4.4%	
F 2006	1.3%	2.2%	1.0%	4.5%	
F 2007	1.3%	2.2%	1.0%	4.5%	

Montana Employment

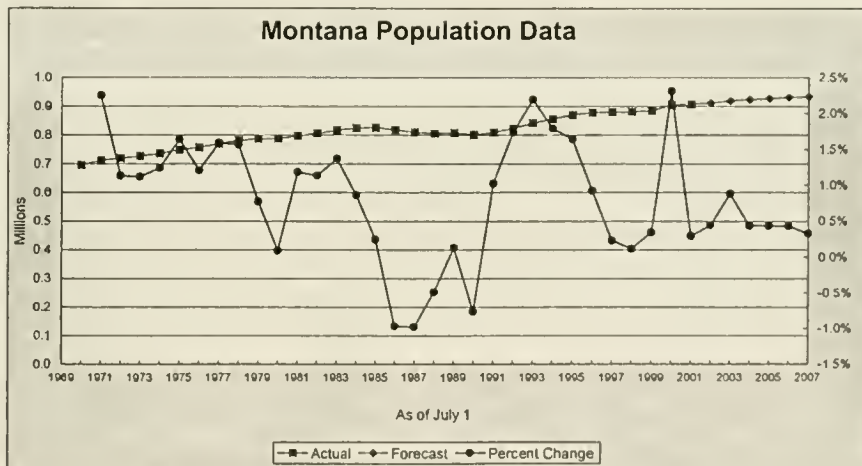
Average annual growth in total employment between 1990 and 2003 has been 2.1 percent, although since 2000 the average rate of growth has been 1.1 percent. The growth in 2004 through September is 1.2 percent. It is expected that employment growth through 2005 will remain at 1.2 percent and grow by 1.3 percent in calendar years 2006 and 2007. Since 1990, the fastest growing sector in terms of employment has been construction, which experienced a 125 percent increase in employment. Other fast growing sectors have been professional and business services (115 percent growth), education and health services (53 percent growth), accommodation and food services (46 percent growth). Sectors that have experienced reduced employment since 1990 are mining (-13 percent growth, although growth has been positive in 2004), and manufacturing (-4 percent growth).



Montana Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state.

Consumption of any given item is highly reliant upon the size of the population, so accurate population forecasts are essential when determining tax revenues from the sources mentioned above. Historic population data is gathered from the U.S. Census department while projections are obtained from Global Insight. Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1 percent in 1998 to 2.3 percent in 2000. Growth through the next biennium is estimated at 0.4 percent annually.

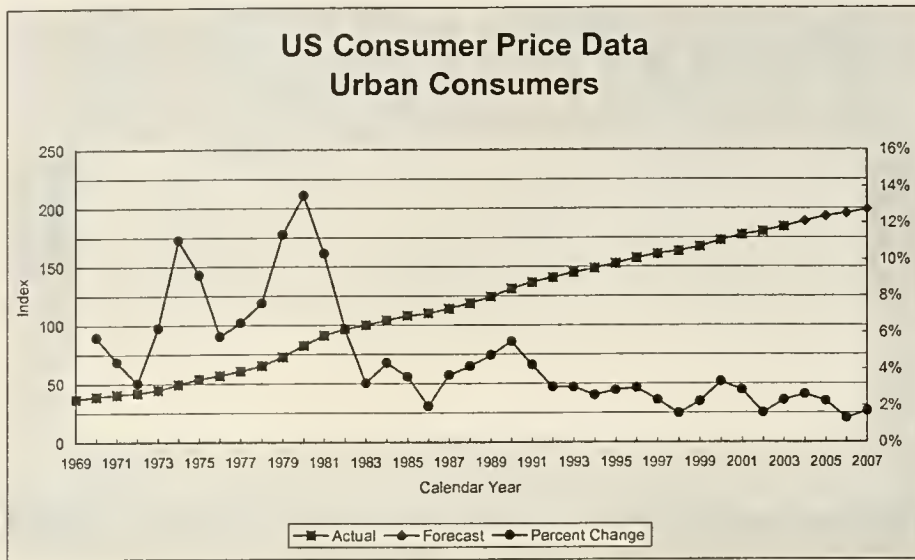


Inflation Rates

The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less. Several areas where this information is vital in determining costs include minerals, timber, energy resources, and most services.

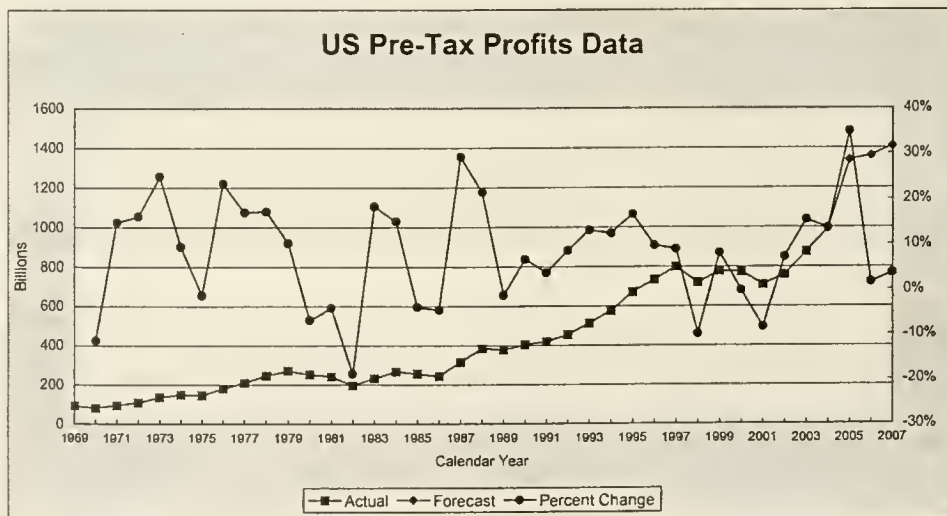
Since Montana's individual income tax structure is fully indexed by changes in the consumer price index, this assumption is critical in the formulation of the individual income tax forecasts. The U.S. Bureau of Labor Statistics provides the

required CPI data for the all-urban customers data set. Since 1990, the average annual rate of inflation has been 2.67 percent. Global Insights forecasts inflation at 2.27 percent (November 2004). The average forecast used by the Congressional Budget Office and other private economists is 2.2 percent per year through calendar 2007. Our forecast is 2.2 percent through 2007.



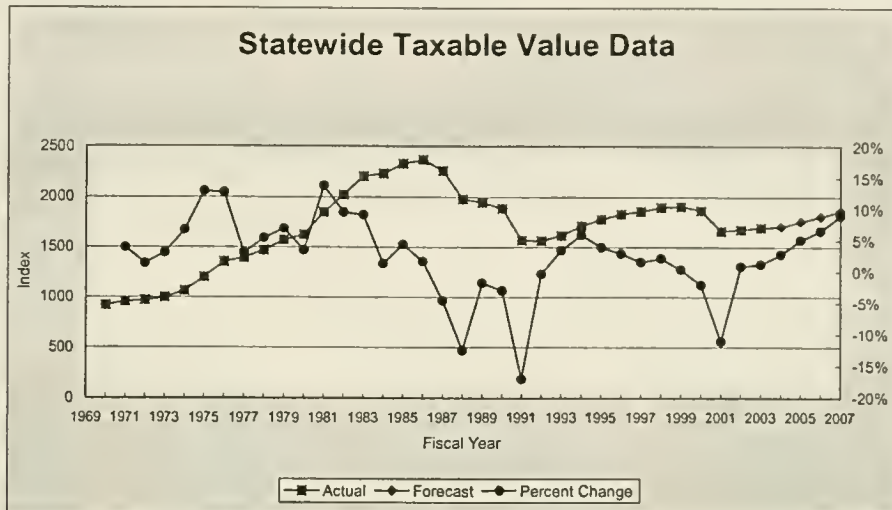
Corporate Profits

The profitability of corporate America is an important factor in estimating revenues. Corporate profitability effects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments. During the most recent years, the reduction of corporate profits has translated to lower corporate license tax collections. According to Global Insight, between 1990 and 1997, US corporation pre-tax profits increased by an annual average of 9.9 percent. However, from 1998 through 2001, profits have decreased by an average of 2.7 percent, the greatest decrease of 8.5 percent occurring in 2001. In 2002 and 2003, corporate profitability increased by 7.1 percent and 15.4 percent respectively, and that trend is expected to continue with projected annual increases of 13.5 percent, 34.8 percent, 1.5 percent, and 3.6 percent between 2004 and 2007 respectively.

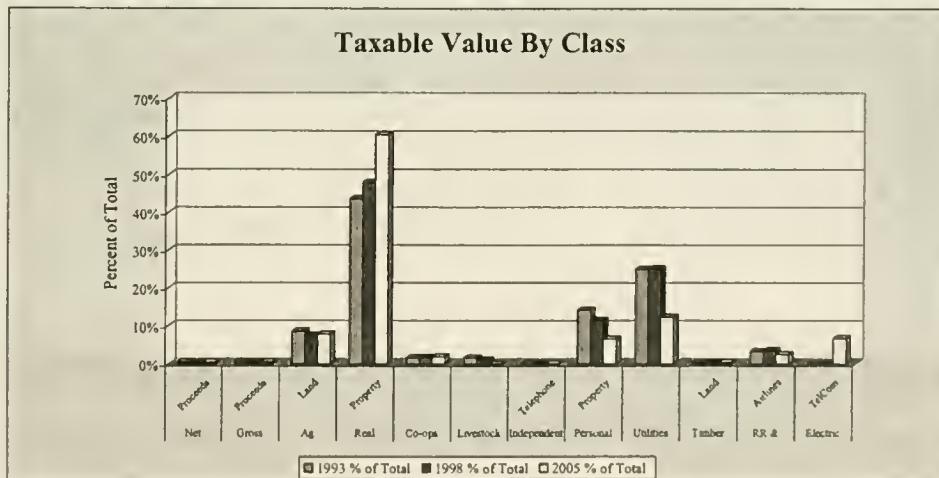


Property Values

Change in statewide property values is the critical assumption behind the estimates for property taxes. Historic property values are obtained from the Montana Department of Revenue. Total statewide taxable value increased slowly during the first part of the 1990's but fell in both fiscal 2000 and 2001. This decline was primarily due to business equipment tax changes enacted by previous legislatures. Other reductions occurred in electrical generating and telecommunication property. Property values resumed an upward trend in 2003, and that trend is expected to continue through the next biennium. However net taxable value growth in tax year 2006 is expected to be near 10 percent as several tax increment financing districts are eliminated.



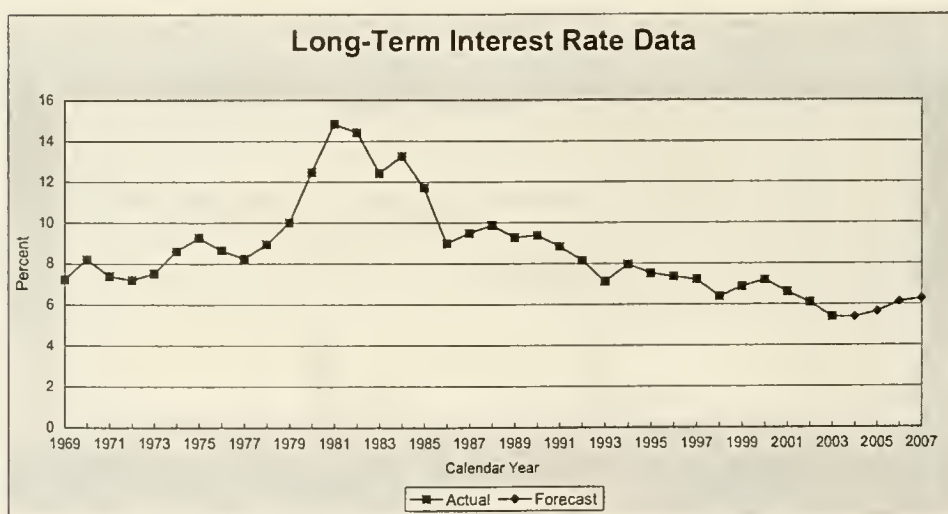
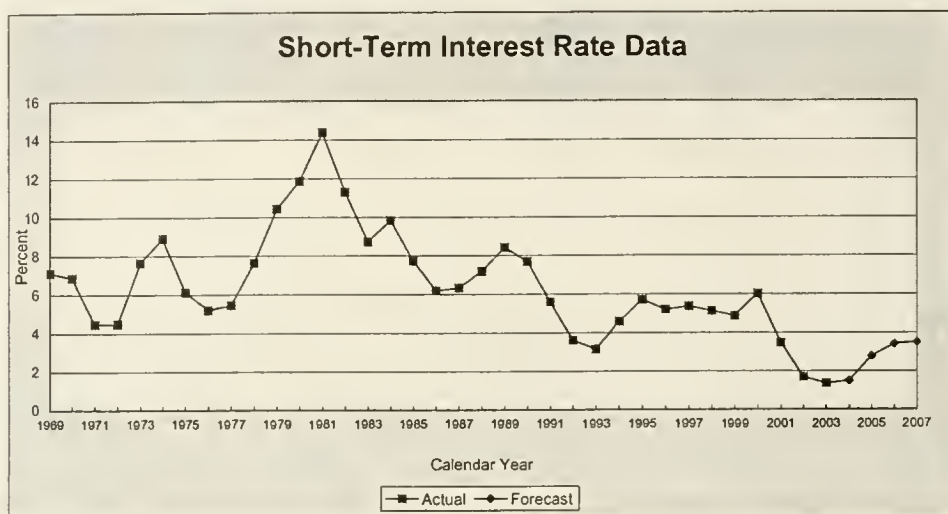
Significant changes have taken place in statewide property values since fiscal 1998. In that year, 48.5 percent of total statewide value was in class 4, residential and commercial property, and 11.6 percent of total value was in class 8, business equipment personal property. In fiscal 2005, the class 4 taxable value is expected to make up 61.5 percent of the total property tax base, while class 8 will be only 6.7 percent of the base.



Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. As such, interest rates are a significant assumption when estimating future state revenues.

In addition to the state revenue impact, interest rates are fundamental in understanding the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase. Two types of interest rates, long and short term, are estimated and used in determining future revenues. Both rates are an average across a selection of investment instruments. The forecasted rates are obtained from Global Insight. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. Short-term rates are an average of 3 and 6-month Corporate paper and 3 and 6 month T-bills. The fiscal year computation of both long and short-term interest rates reached an unprecedented low in 2004. However, as the economy began to regain strength in calendar year 2004, the Federal Reserve began increasing the discount rate. Global Insight projects that interest rates will increase through the 2007 biennium, and their projection is made credible by the fact that the Federal Reserve raised interest rates again in November 2004.



Energy Prices and Consumption

West Texas Intermediate spot oil prices averaged \$26.18 in calendar 2002, rose to \$31.00 in calendar 2003, and have averaged \$41.00 in calendar 2004. Global Insights forecasts WTI oil prices to increase to \$46.13 in calendar 2005, and then drop to \$36.21 in calendar 2006 with a further drop to \$34.85 in calendar 2007. Montana wellhead prices will be \$3 dollar below these prices.

Natural gas prices at the wellhead in the US averaged \$3 per million cubic feet in calendar 2002, rose to \$5 in calendar 2003, and have averaged \$5.40 in calendar 2004. The New York Mercantile Exchange is forecasting average Henry Hub natural gas prices at \$7.15 in calendar 2005, \$6.68 in calendar 2006, and \$4.11 in calendar 2007. Montana wellhead prices are \$2 less than these prices.

After decades long reductions in oil production – from a peak in 1973 of 34 million barrels to a trough in 1999 of 15 million barrels – recent Montana production has increased. New drilling activity increased 75 percent in 2003, and has increased nearly the same amount in 2004, in response to high prices. In calendar 2003 production was over 19 million barrels and will probably be near 22 million barrels in calendar 2004. Montana oil production is expected to continue to increase to just over 25 million barrels in calendar 2005, just under 28 million barrels in calendar 2006 and to 30 million barrels in calendar 2007.

Natural gas production in Montana doubled between 1981 and 2003, from 40 million MCF to 80 million MCF, with 75 percent of that increase since 1997, in response to higher prices. Newly drilled wells have contributed around 20 percent to total production since calendar 2000. As in the oil market new drilling activity was up substantially in calendar 2003 and 2004. Montana natural gas production is expected to rise to 89 million MCF in calendar 2004, 95.2 million MCF in calendar 2005, 101 million MCF in calendar 2006, and 106 million in calendar 2007.

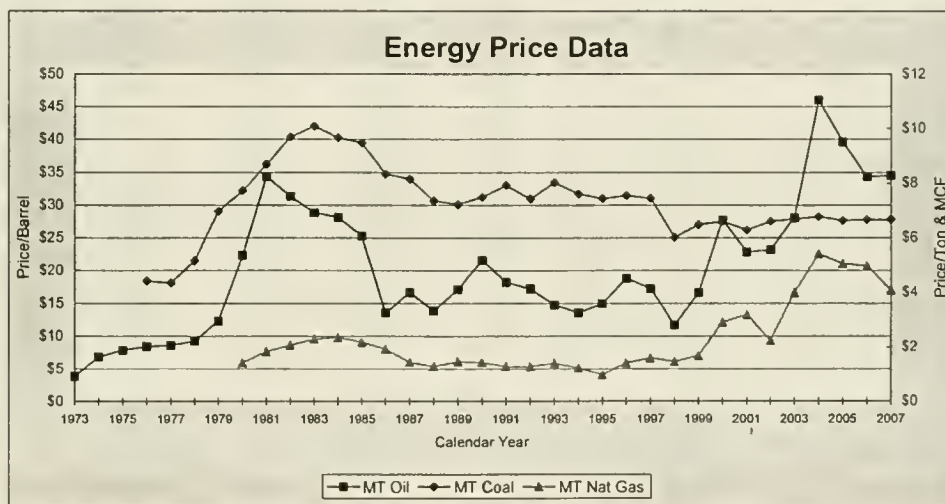


Figure 2
Legislative Fiscal Division Recommendations
General Fund Revenue Estimates
In Millions

Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Individual Income Tax	43.82%	\$605.348	\$588.638	\$605.029	\$629.840	\$1,193.986	\$1,234.869	42.61%
2 Property Tax	12.27%	169.531	170.051	175.823	182.663	339.582	358.486	54.98%
3 Corporation Income Tax	4.90%	67.723	66.332	80.621	77.927	134.055	158.548	60.45%
4 Vehicle Tax	6.05%	83.607	80.360	80.140	82.050	163.967	162.190	66.04%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	66.04%
6 Insurance Tax & License Fees	4.09%	56.533	59.272	62.163	65.220	115.805	127.383	70.44%
7 Coal Trust Interest	2.53%	34.907	35.999	36.790	37.244	70.906	74.034	72.99%
8 US Mineral Royalty	2.08%	28.736	35.837	34.660	35.334	64.573	69.994	75.41%
9 All Other Revenue	2.19%	30.242	28.304	24.734	24.923	58.546	49.657	77.12%
10 Tobacco Settlement	0.21%	2.934	2.871	2.319	2.309	5.805	4.628	77.28%
11 Telecommunications Excise Tax	1.51%	20.890	21.307	21.700	22.101	42.197	43.801	78.79%
12 Video Gambling Tax	3.67%	50.749	52.932	55.304	57.782	103.681	113.086	82.69%
13 Treasury Cash Account Interest	0.46%	6.393	10.602	13.287	13.015	16.995	26.302	83.60%
14 Estate Tax	0.83%	11.431	3.701	1.950	0.939	15.132	2.889	83.70%
15 Oil & Natural Gas Production Tax	2.99%	41.324	58.206	58.498	59.057	99.530	117.555	87.76%
16 Motor Vehicle Fee	2.22%	30.724	31.730	36.770	37.819	62.454	74.589	90.33%
17 Public Institution Reimbursements	1.31%	18.110	16.032	14.900	14.900	34.142	29.800	91.36%
18 Lodging Facility Use Tax	0.67%	9.279	10.113	10.715	11.419	19.392	22.134	92.12%
19 Coal Severance Tax	0.63%	8.643	9.105	8.659	8.841	17.748	17.500	92.72%
20 Liquor Excise & License Tax	0.78%	10.718	11.125	11.535	11.959	21.843	23.494	93.53%
21 Cigarette Tax	2.61%	36.002	34.608	33.193	32.030	70.610	65.223	95.79%
22 Investment License Fee	0.35%	4.834	4.464	4.598	4.736	9.298	9.334	96.11%
23 Lottery Profits	0.59%	8.116	7.273	7.288	7.953	15.389	15.241	96.63%
24 Liquor Profits	0.47%	6.500	6.608	6.854	7.158	13.108	14.012	97.12%
25 Nursing Facilities Fee	0.43%	5.916	5.833	5.793	5.757	11.749	11.550	97.52%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.52%
27 Electrical Energy Tax	0.34%	4.661	4.295	4.276	4.270	8.956	8.546	97.81%
28 Metalliferous Mines Tax	0.23%	3.232	4.483	5.328	5.533	7.715	10.861	98.18%
29 Highway Patrol Fines	0.30%	4.084	4.104	4.125	4.143	8.188	8.268	98.47%
30 Public Contractors Tax	0.15%	2.120	1.748	3.030	2.872	3.868	5.902	98.67%
31 Wholesale Energy Tax	0.24%	3.293	3.485	3.520	3.555	6.778	7.075	98.92%
32 Tobacco Tax	0.26%	3.562	3.677	3.779	3.847	7.239	7.626	99.18%
33 Driver's License Fee	0.22%	3.021	2.997	3.011	3.018	6.018	6.029	99.39%
34 Rental Car Sales Tax	0.18%	2.486	2.593	2.704	2.820	5.079	5.524	99.58%
35 Railroad Car Tax	0.11%	1.568	1.585	1.574	1.562	3.153	3.136	99.69%
36 Wine Tax	0.10%	1.423	1.436	1.487	1.538	2.859	3.025	99.79%
37 Beer Tax	0.21%	2.897	2.933	2.986	3.039	5.830	6.025	100.00%
38 Telephone License Tax	0.00%	0.029	-	-	-	0.029	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
Total General Fund	100.00%	\$1,381.565	\$1,384.639	\$1,429.143	\$1,469.173	\$2,766.204	\$2,898.316	100.00%

Figure 3
Legislative Fiscal Division Recommendations
Non-General Fund Revenue Estimates
In Millions

Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Diesel Tax	17.98%	\$63.181	\$65.819	\$68.567	\$71.430	\$129.000	\$139.997	18.93%
2 Federal Forest Receipts	3.55%	12.491	12.654	12.795	12.878	25.145	25.673	22.40%
3 Gasoline Tax	37.83%	132.962	133.577	134.177	134.774	266.539	268.951	58.77%
4 GVW and Other Fees	7.82%	27.500	27.896	28.287	28.732	55.396	57.019	66.48%
5 Lodging Facility Use Tax	6.50%	22.848	24.159	25.597	27.278	47.007	52.875	73.63%
6 Resource Indemnity Tax	0.36%	1.251	1.229	1.176	1.323	2.480	2.499	73.97%
7 Arts Trust Interest	0.09%	0.326	0.338	0.351	0.364	0.664	0.715	74.06%
8 Capital Land Grant Interest and Income	0.69%	2.413	0.820	0.939	0.943	3.233	1.882	74.32%
9 Deaf & Blind Interest and Income	0.09%	0.299	0.304	0.305	0.306	0.603	0.611	74.40%
10 Parks Trust Interest	0.32%	1.140	1.163	1.191	1.217	2.303	2.408	74.72%
11 Pine Hills Interest and Income	0.11%	0.394	0.388	0.388	0.389	0.782	0.777	74.83%
12 RIT Trust Interest	2.10%	7.380	7.401	7.417	7.420	14.781	14.837	76.84%
13 TSE Trust Interest	2.38%	8.349	9.094	9.704	10.230	17.443	19.934	79.53%
14 Property Tax: 6 Mill	3.24%	11.374	10.704	10.983	11.278	22.078	22.261	82.54%
15 Property Tax: 9 Mill	0.00%	-	-	-	-	-	-	82.54%
16 Tobacco Trust Interest	0.76%	2.670	3.123	3.709	4.230	5.793	7.939	83.61%
17 Regional Water Trust Interest	0.34%	1.201	1.487	1.757	2.007	2.688	3.764	84.12%
18 Common School Interest and Income	15.84%	55.663	60.373	59.307	58.106	116.036	117.413	100.00%
Total Non-General Fund	100.00%	\$351.442	\$360.529	\$366.650	\$372.905	\$711.971	\$739.555	100.00%

BUSINESS TAXES

Corporation Income Tax

Driver's License Fees

Estate Tax

Individual Income Tax

Insurance Tax & License Fees

Investment License Fees

Lodging Taxes

Motor Vehicle Fees

Public Contractors Tax

Railroad Car Tax

Rental Car Sales Tax

Telecommunications Excise Tax

Vehicle Tax



Legislative Fiscal Division

Revenue Estimate Profile Corporation Income Tax

Revenue Description: The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all forecasts are adjusted for allowable credits.

Applicable Tax Rate(s): The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income.

Distribution: Beginning fiscal 2004 through fiscal 2011, the Department of Revenue may distribute up to 0.45% of this general fund revenue source as an administrative assessment to a state special revenue account to pay debt service on the loan used to fund a POINTS replacement computer system (enacted in Senate Bill 271 by the 2003 legislature). In fiscal 2005 only, \$375,000 is distributed to the Department of Public Health and Human Services state special revenue account to match federal funds for Medicaid health services. All remaining corporation taxes are distributed to the general fund.

Collection Frequency: Monthly, Quarterly, and Annually

Major Drivers:

- Corporate Profits
- Tax rate
- Audits
- Credits

Potential Factors Influencing Change:

- Economic Factors
 - Business cycles
 - Economic climate
 - Stock market activity
 - Personal income change
 - Population change
- Social Factors
 - Government and industry announcements
 - Consumer confidence / sentiment
 - Terrorist activity in U.S. and abroad
 - War events and issues
- Legislative Factors
 - State legislative impacts
 - Changes in tax rate
 - Addition and repeal of tax credits
 - Changes in NOL carry-back / carry-forward rules
 - Federal legislative impacts
 - Alternative minimum tax rules
 - Change in depreciation accounting and taxation
 - Addition and repeal of tax credits
 - Tax shelters
 - Changes in NOL carry-back / carry-forward rules

Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

Data Source(s): SABHRS, Global Insight, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 15-31-121,

Tax Distribution (MCA) – 15-31-121, 15-1-501(1)

Date Due – by the 15th day of the fifth month following the close of the corporate fiscal year (15-31-111, 15-31-502).

Estimated taxes due April 15th, June 15th, September 15th, and December 15th (15-31-502).

% of Total FY 2004 General Fund Revenue: 4.90%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

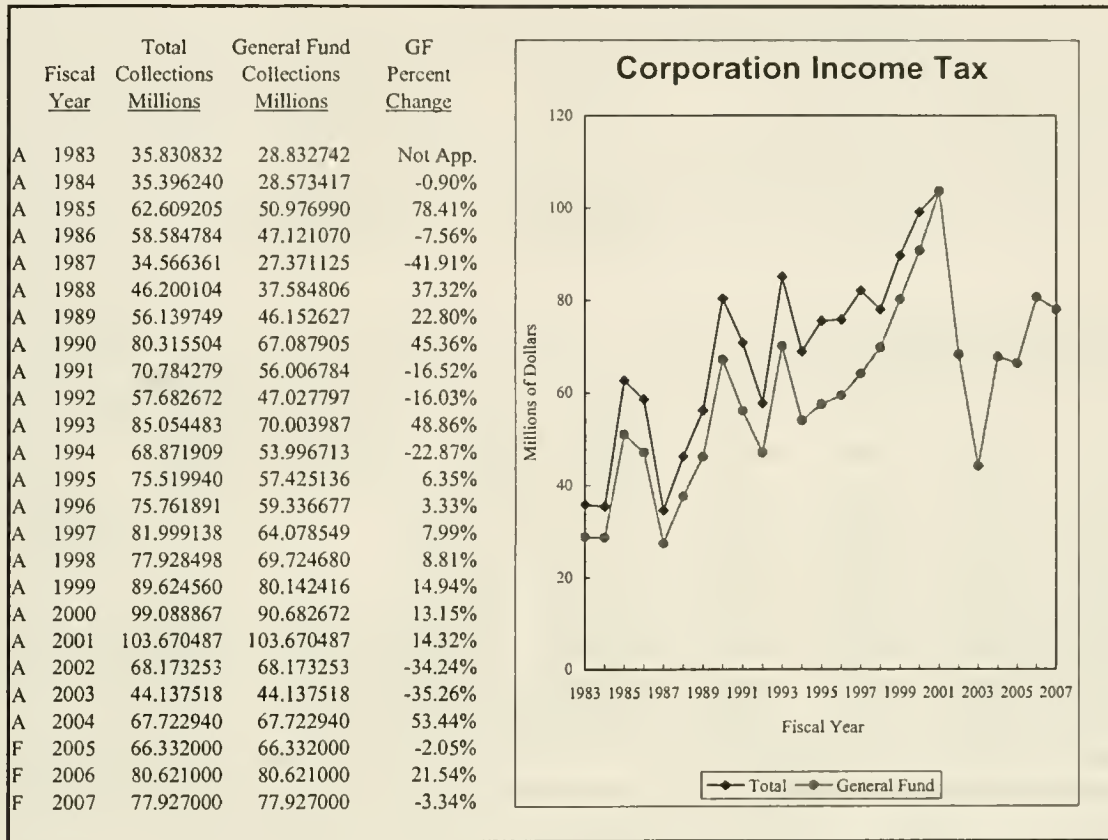
To project Montana corporation license tax revenues, the LFD makes use of taxpayer return data from tax years 1996 to 2002. The data is separated into two classes of taxpayers, multi-state and Montana or domestic taxpayers. Each class of taxpayer is analyzed and projected separately, after which the projections are combined, lagged one year, and adjusted for audits, credits, federal bonus depreciation, and known unusual refunds/collections to produce the final fiscal year estimate.

Legislative Fiscal Division

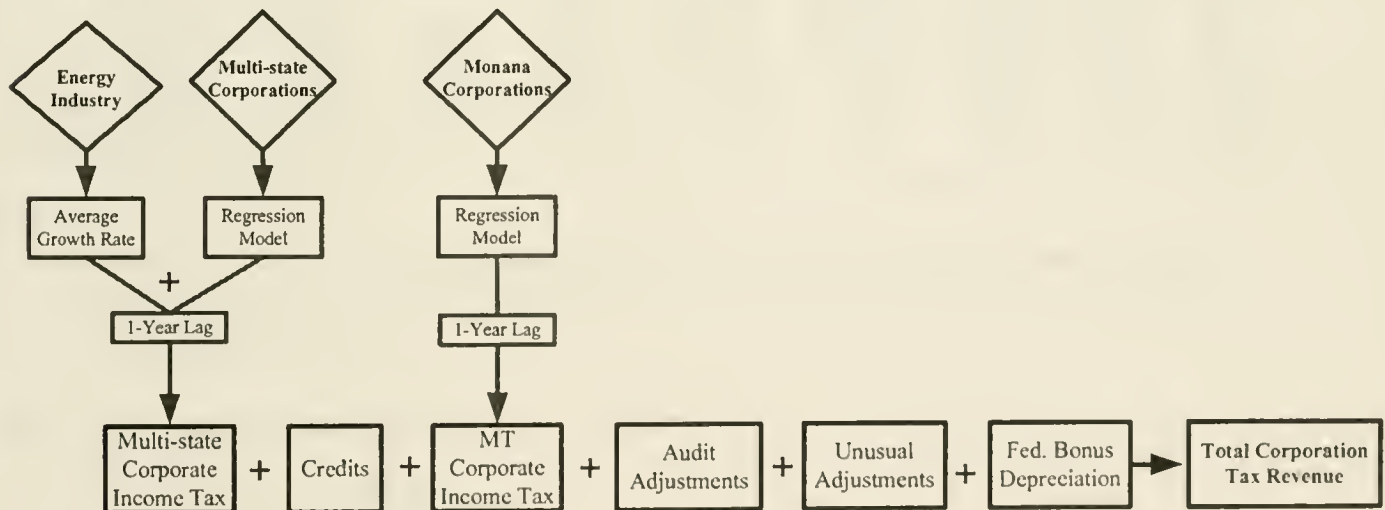
Revenue Estimate Profile

Corporation Income Tax

Revenue Projection:



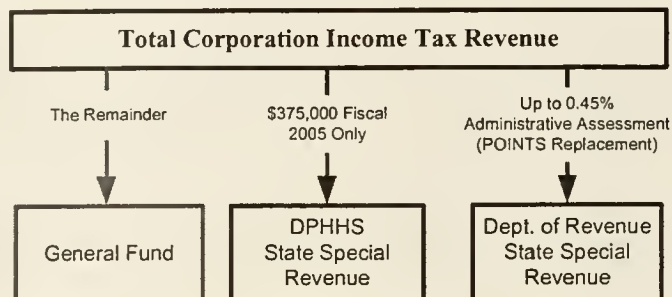
Forecast Methodology



Legislative Fiscal Division

Revenue Estimate Profile Corporation Income Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>US Profits</u> <u>Billions</u>	<u>Tax</u> <u>Rate</u>	<u>Montana</u> <u>Corporations</u> <u>Millions</u>	<u>Multi-State</u> <u>Corporations</u> <u>Millions</u>
Actual	2000	99.088867	90.682672	774.700000	0.067500		
Actual	2001	103.670487	103.670487	740.700000	0.067500		
Actual	2002	68.173253	68.173253	733.000000	0.067500		
Actual	2003	44.137518	44.137518	816.300000	0.067500	18.497919	33.957293
Actual	2004	67.722940	67.722940	933.400000	0.067500	17.908487	55.084427
Forecast	2005	66.332000	66.332000	1165.200000	0.067500	17.337837	58.490426
Forecast	2006	80.621000	80.621000	1348.500000	0.067500	16.785367	59.054412
Forecast	2007	77.927000	77.927000	1383.200000	0.067500	16.250501	58.081844

	<u>t</u> <u>Fiscal</u>	<u>Total</u> <u>Millions</u>	<u>Total</u> <u>Financials</u> <u>Millions</u>	<u>P&I</u> <u>Millions</u>	<u>Audit</u> <u>Millions</u>	<u>Depreciation</u> <u>Millions</u>	<u>Adjustments</u> <u>Millions</u>	<u>Credits</u> <u>Millions</u>
Actual	2000	99.088867	10.507744	0.661232	1.424267			
Actual	2001	103.670487	0.000000	0.000000	6.500000			
Actual	2002	68.173253	0.000000	1.658539	4.257364			
Actual	2003	44.137518	0.000000	2.701866	5.375895	-3.060419	-8.180807	-3.022063
Actual	2004	67.722940	0.000000	4.142745	10.031017	-8.721150	-13.194502	-3.022063
Forecast	2005	66.332000	0.000000	0.000000	3.000000	-1.074509	-8.400000	-3.022063
Forecast	2006	80.621000	0.000000	0.000000	3.500000	4.302966	0.000000	-3.022063
Forecast	2007	77.927000	0.000000	0.000000	4.000000	2.616528	0.000000	-3.022063

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Description: A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices. Between October 1, 1995 and October 1, 1999, one-half of the licenses issued for those between the ages of 21 and 67 are 4-year licenses and one-half are 8-year licenses. Drivers outside these age brackets are assigned driver's licenses with terms which depend on how many years the driver is less than 21 or less than 75 years old. Beginning October 1, 1999, all licenses for those 21-67 years of age are for 8 years.

Applicable Tax Rate(s): Driver's license fees are:

- driver's license, except a commercial driver's license - \$5.00 per year or fraction of a year
- motorcycle endorsement - \$0.50 per year or fraction of a year
- commercial driver's licenses:
 - interstate - \$5.00 per year or fraction of a year
 - intrastate - \$3.50 per year or fraction of a year
- duplicate license - \$10.00
- renewal notice - \$0.50

Distribution: The distribution of license fee revenue varies by the type of license and who collects the fee. The table below shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees					
Allocation	Driver's License	Duplicate License	Motorcycle Endorsement	Commercial	Renewal Notice
				Driver's License	
Montana Highway Patrol	22.30%	25.00%	0.00%	0.00%	0.00%
Counties or General Fund	2.50%	3.75%	3.34%	2.50%	0.00%
Motorcycle Safety Account	0.00%	0.00%	63.46%	0.00%	0.00%
Traffic Education Account	20.70%	8.75%	0.00%	0.00%	0.00%
General Fund	54.50%	62.50%	33.20%	97.50%	100.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Collection Frequency: Monthly

Major Drivers:

- Number seeking new and replacement driving licenses, motorcycle endorsements and commercial licenses
- Licensing fee for new and replacement driving licenses, motorcycle endorsements and commercial licenses
- Number of renewal notices
- Renewal notice fee

Potential Factors Influencing Change:

- Economic Factors
 - Change in population 15+
 - Cost of high risk insurance
 - Availability of driving education programs

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

- Number of commercial trucking operations in Montana
- Social Factors
 - Current perspectives of youth driving
 - Current perspectives of aged driving
- Legislative Factors
 - State legislative impacts
 - Driving / licensing laws
 - Frequency of license renewal
 - Cost of licensing
 - Federal legislative impacts
 - Driving / licensing laws

Data Source(s): SABHRS, Department of Administration, County Treasurer Offices

Contacts: Department of Justice

Statutory Reference:

Tax Rates (MCA) – Duplicate license (61-5-114), all others (61-5-111(6))

Tax Distribution (MCA) – 61-5-121

Date Due – upon application

% of Total FY 2004 General Fund Revenue: 0.22%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

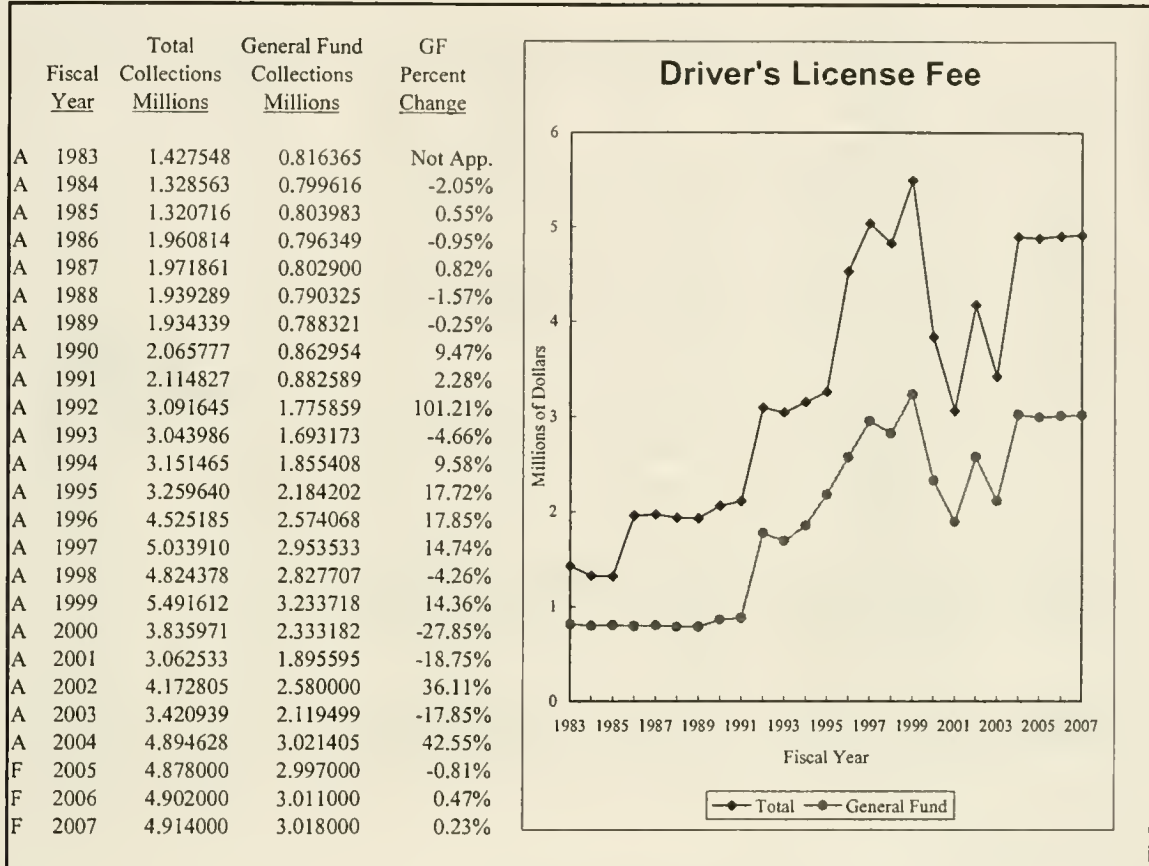
Driver's license fee revenue is calculated by taking the anticipated number of licenses to be issued by the applicable license fee. The amount of revenue for each license type is summed to determine total driver's fee revenue.

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Projection:



Driver's License Fees

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graph LR
    A1{Number of Driver's Licenses} -- X --> B1{Fee Rate}
    B1 --> C1[Driver's License Revenue]
    A2{Number of Motorcycle Licenses} -- X --> B2{Fee Rate}
    B2 --> C2[Motorcycle Endorsement Revenue]
    A3{Number of Duplicate Licenses} -- X --> B3{Fee Rate}
    B3 --> C3[Duplicate License Revenue]
    A4{Number of License Renewals} -- X --> B4{Fee Rate}
    B4 --> C4[License Renewal Fee Revenue]
    A5{Interstate} --> D1{Number of Commercial Licenses}
    D1 -- X --> B5{Fee Rate}
    B5 --> C5[Interstate Commercial License Revenue]
    A6{Intrastate} --> D2{Number of Commercial Licenses}
    D2 -- X --> B6{Fee Rate}
    B6 --> C6[Intrastate Commercial License Revenue]
    C1 -- + --> E[Total Driver's License Fee Revenue]
    C2 -- + --> E
    C3 -- + --> E
    C4 -- + --> E
    C5 -- + --> E
    C6 -- + --> E
  
```

The flowchart illustrates the calculation of Total Driver's License Fee Revenue. It starts with six input categories, each leading to a revenue component through a multiplication (X) by a fee rate. The revenue components are then summed (+) to produce the final Total Driver's License Fee Revenue.

- Number of Driver's Licenses** (diamond) $\times$ **Fee Rate** (diamond) = **Driver's License Revenue** (rectangle)
- Number of Motorcycle Licenses** (diamond) $\times$ **Fee Rate** (diamond) = **Motorcycle Endorsement Revenue** (rectangle)
- Number of Duplicate Licenses** (diamond) $\times$ **Fee Rate** (diamond) = **Duplicate License Revenue** (rectangle)
- Number of License Renewals** (diamond) $\times$ **Fee Rate** (diamond) = **License Renewal Fee Revenue** (rectangle)
- Interstate** (oval) $\rightarrow$ **Number of Commercial Licenses** (diamond) $\times$ **Fee Rate** (diamond) = **Interstate Commercial License Revenue** (rectangle)
- Intrastate** (oval) $\rightarrow$ **Number of Commercial Licenses** (diamond) $\times$ **Fee Rate** (diamond) = **Intrastate Commercial License Revenue** (rectangle)

All six revenue components are summed (+) to calculate the **Total Driver's License Fee Revenue** (rectangle).

License Renewal Fee

- 100.0% to State General Fund

Driver's License

- 22.3% to Department of Justice State Special Revenue
- 54.5% to State General Fund
- 2.5% to County General Fund
- 20.7% to Traffic Education State Special Revenue

Duplicate License

- 25.0% to Department of Justice State Special Revenue
- 62.5% to State General Fund
- 3.75% to County General Fund
- 8.75% to Traffic Education State Special Revenue

Motorcycle Endorsement

- 33.2% to State General Fund
- 63.46% to Motorcycle Safety State Special Revenue
- 3.34% to County General Fund

Commercial License

- 97.5% to State General Fund
- 2.5% to County General Fund

County General Fund

The county only receives fees if they are collected by the county.

If the fees indicated are collected by the state, they are deposited to the state general fund.

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Estimate Assumptions

	t	Total Tax	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	
	Fiscal	Millions	Millions	Licenses	Duplicates	Cycle	Commercial	Renewal
				Millions	Millions	Millions	Millions	Millions
Actual	2000	3.835971	2.333182	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	3.062533	1.895595	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	4.172805	2.580000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	3.420939	2.119499	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	4.894628	3.021405	2.291490	0.185541	0.014382	0.420772	0.074051
Forecast	2005	4.878000	2.997000	2.300873	0.186303	0.014440	0.420772	0.074351
Forecast	2006	4.902000	3.011000	2.313360	0.187313	0.014518	0.420772	0.074753
Forecast	2007	4.914000	3.018000	2.319615	0.187821	0.014558	0.420772	0.074958

License	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
Count	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
<u>Millions</u>							
Actual	2000	0.110658	0.025272	0.010240	0.007801	0.002477	0.000000
Actual	2001	0.080396	0.024359	0.006932	0.006961	0.002210	0.000000
Actual	2002	0.108432	0.028832	0.010405	0.010579	0.003359	0.000000
Actual	2003	0.089124	0.034501	0.007652	0.008641	0.012344	0.000000
Actual	2004	0.101844	0.028490	0.010117	0.009812	0.001124	0.148101
Forecast	2005	0.102261	0.028607	0.010158	0.009812	0.001124	0.148701
Forecast	2006	0.102816	0.028762	0.010213	0.009812	0.001124	0.149506
Forecast	2007	0.103094	0.028840	0.010241	0.009812	0.001124	0.149916

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

<u>GF Fee</u> <u>Rate in \$</u>	<u>t</u> <u>Fiscal</u>	<u>Proxy</u> <u>Licenses</u>	<u>Proxy</u> <u>Duplicates</u>	<u>Proxy</u> <u>Cycle</u>	<u>Proxy</u> <u>Interstate</u>	<u>Proxy</u> <u>Intrastate</u>	<u>Proxy</u> <u>Renewal</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2005	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2006	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2007	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000

<u>Total Fee</u> <u>Rate in \$</u>	<u>t</u> <u>Fiscal</u>	<u>Proxy</u> <u>Licenses</u>	<u>Proxy</u> <u>Duplicates</u>	<u>Proxy</u> <u>Cycle</u>	<u>Proxy</u> <u>Interstate</u>	<u>Proxy</u> <u>Intrastate</u>	<u>Proxy</u> <u>Renewal</u>
Actual	2000	30.0000	5.0000	3.7500	37.5000	26.2500	0.0000
Actual	2001	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2002	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2003	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2004	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2005	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2006	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2007	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000

Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Description: Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. The tax had been imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse, child or lineal descendant, stepchild, or governmental or charitable organization. Although the referendum was effective immediately, it applied to deaths occurring after December 31, 2000. Thus, inheritance tax revenue will continue to produce revenue during the 2003 biennium, but the amount of revenue will decrease each year. In addition to the inheritance tax, an estate tax is imposed on estates transferred to heirs at death. The Montana estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Congress passed the "Economic Growth and Tax Relief Reconciliation Act of 2001" which scheduled a step down approach to the repeal of the federal estate tax. Provisions of the act included the elimination of the state estate tax credit, the source of Montana's estate tax revenue. The estate credit of those who died in 2002, 2003, and 2004 are reduced by 25 percent per each year until 2005 when the credit will equal zero. Many years may pass before the time that estates are finally settled and the taxes of the estates are paid, and estate tax revenues are expected to become insignificant by the end of the decade. Federal estate tax laws will return to a pre-2002 level if Congress does not take further action to make the repeal of the tax permanent.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, changes in wealth, changes in the death rate of the population, accounting procedures, and the processing of several large estates.

Applicable Tax Rate(s): The estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Distribution: All proceeds are deposited into the general fund.

Collection Frequency: Monthly

Major Drivers:

- Montana deaths
- Estate values
- Federal estate tax state credit

Potential Factors Influencing Change:

- Economic Factors
 - Montana Population
 - Montana deaths
 - CPI
 - Capitol Appreciation
 - Accumulation of Wealth
- Social Factors
 - Public perception of death taxes
- Legislative Factors
 - State legislative impacts
 - Reduction of state death tax credit
 - Repeal of inheritance tax
 - Federal legislative impacts
 - Change tax
 - Repeal of estate tax

Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Data Source(s): SABHRS

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 72-16-905

Tax Distribution (MCA) – 72-16-912

Date Due – 18 months after death (72-16-909)

% of Total FY 2004 General Fund Revenue: 0.83%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD follows a number of steps to calculate the estate tax estimate. With data provided by the Department of Revenue, counts and averages of historic taxpayers and average taxpayer payments are calculated. Using historic Montana deaths,¹ future deaths are calculated by applying a growth rate based on a five-year moving average to prior year deaths. A ratio to determine future taxpayers is developed with the average of historic taxpayers divided by historic total deaths. Adjustments for federal law changes are made to both the number of yearly taxpayers and the average tax owed. With this information, the total amount of taxes owed on a historic basis is determined. Next, using the ratio of taxpayers to deaths, future taxpayers are calculated. The adjusted average tax, based on average tax owed by taxpayers in calendar 2001², is then applied to the number of future taxpayers. Then, historic and future taxpayer tax are distributed over a seven-year period using a schedule of taxpayer payments.³ Finally, the tax schedule is summed and converted from calendar to fiscal year to determine the estate tax estimate.

¹ Historic death records provided by the Montana Bureau of Vital Statistics.

² The estates of those who died on or after 1/1/2001 were not subject to the Montana inheritance tax.

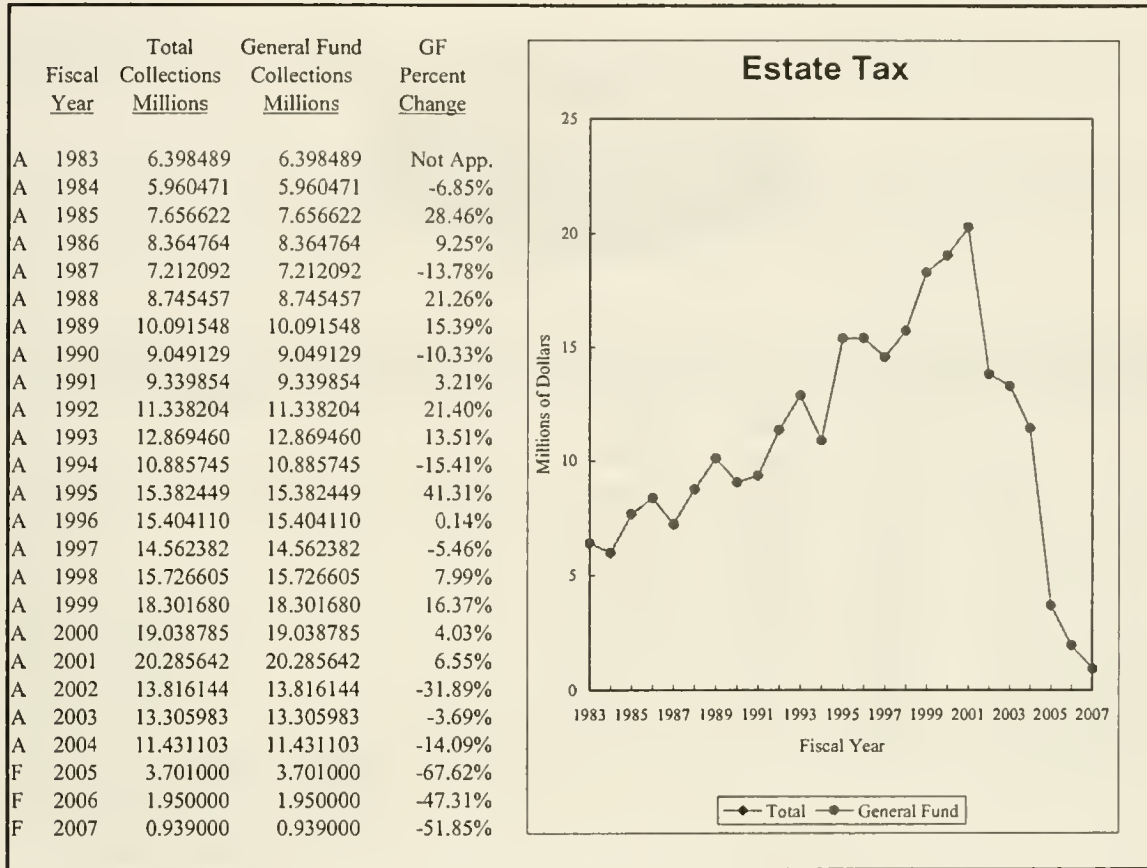
³ Department of Revenue, Tax Policy and Research Division. *Estate Tax, General Fund Revenue Estimate*. Special Legislative Session, August 2002.

Legislative Fiscal Division

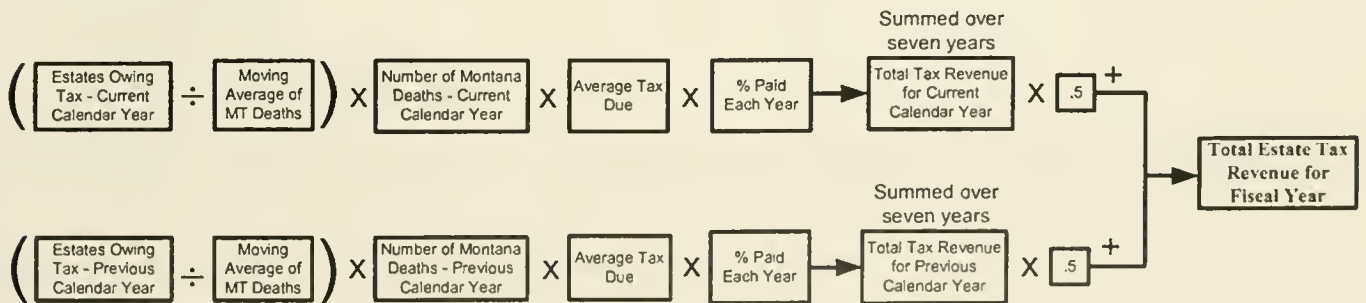
Revenue Estimate Profile

Estate Tax

Revenue Projection:



Forecast Methodology



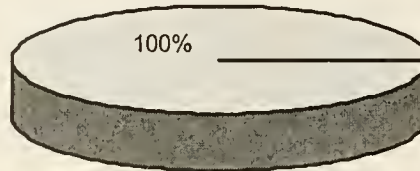
Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Annual</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	19.038785	19.038785	0.040275
Actual	2001	20.285642	20.285642	0.065490
Actual	2002	13.816144	13.816144	-0.318920
Actual	2003	13.305983	13.305983	-0.036925
Actual	2004	11.431103	11.431103	-0.140905
Forecast	2005	3.701000	3.701000	-0.676247
Forecast	2006	1.950000	1.950000	-0.473205
Forecast	2007	0.939000	0.939000	-0.518495

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Description: The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

Applicable Tax Rate(s): Tax rates vary from 1.0% to 6.9%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year. SB 407, enacted by the 2003 legislature, created a new capital gains income tax credit. As a result the tax rate on capital gains income is less than the tax rate on ordinary income by 1 percent in tax years 2005 and 2006, and by 2 percent in tax year 2007 and beyond.

Distribution: Beginning fiscal 2004 through fiscal 2011, the Department of Revenue may distribute up to 0.45% of this general fund revenue source as an administrative assessment to a state special revenue account to pay debt service on the loan used to fund a POINTS replacement computer system (enacted in Senate Bill 271 by the 2003 legislature). All other proceeds are deposited into the general fund.

Collection Frequency: Withholding and estimated taxes are collected monthly, bi-weekly, and weekly.

Major Drivers:

- Income components
- Deductions and credits
- Number of taxpayers
- Audit collections

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - Economic climate
 - Employment
 - Asset sales
 - Inflation
- Legislative Factors
 - State legislative impacts
 - Federal legislative impacts

Data Source(s): SABHRS, Income Tax Returns, Labor Statistics - Departments of Commerce, Labor & Industry and Revenue; Bureau of Economic Analysis, Bureau of Labor Statistics, Global Insight, Congressional Budget Office, Industry

Contacts: Department of Revenue, Census and Economic Information

Statutory Reference:

Tax Rate (MCA) – 15-30-103

Tax Distribution (MCA) – 15-1-501(1)

Date Due – 15th day of the fourth month of the filer's fiscal year (15-30-144). Withholding taxes due monthly, quarterly, or on an accelerated schedule depending on income (15-30-204). Estimated taxes due on the 15th day of the 4th, 6th, and 9th month and the month following the close of the tax year.

Legislative Fiscal Division

Revenue Estimate Profile

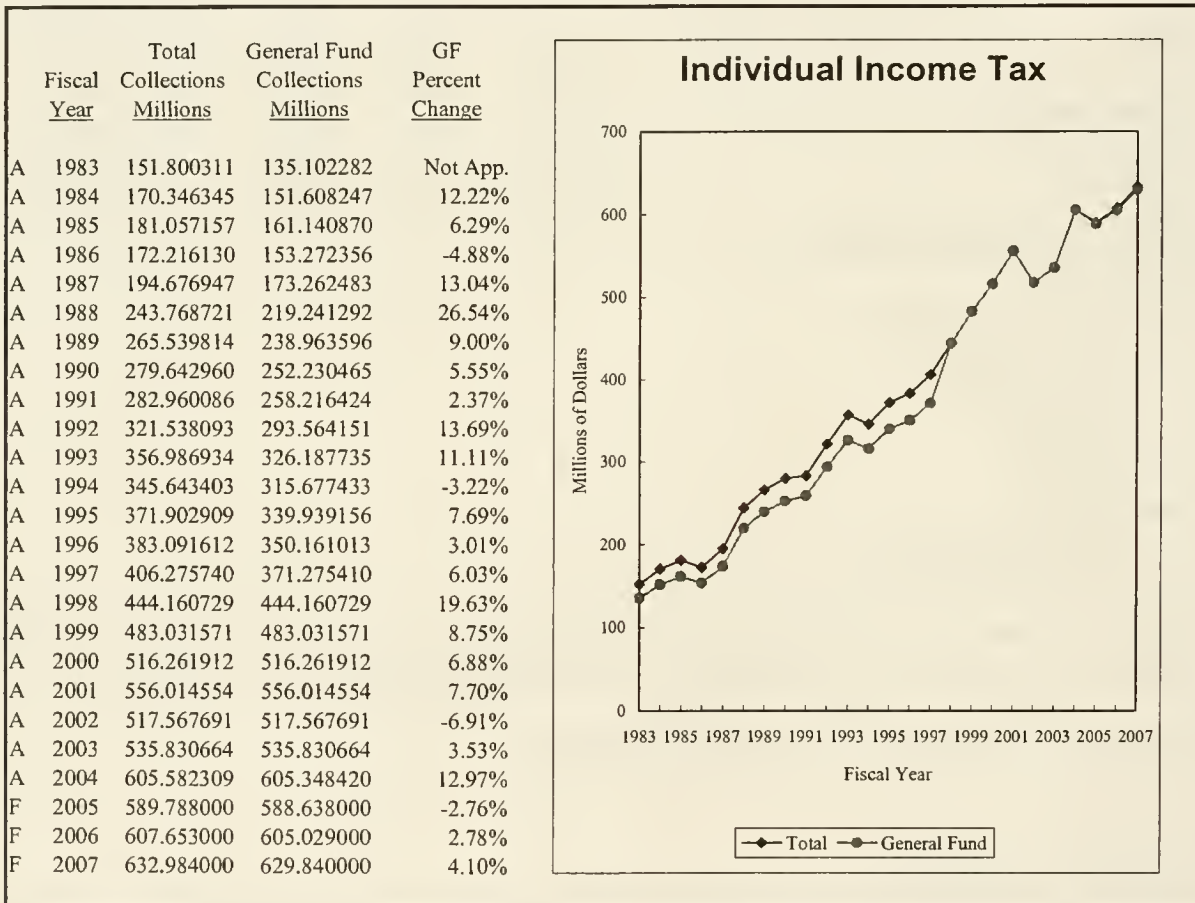
Individual Income Tax

% of Total FY 2004 General Fund Revenue: 43.82%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

An income tax simulation model is used to predict calendar year income tax liability for each resident taxpayer. The model predicts forward from a base tax year by specifying growth rates for each component of income, deductions and credits. To this is added a forecast of nonresident liability. The resulting calendar year liability for all taxpayers is converted to a fiscal year basis. Growth in fiscal year liabilities are measured and applied to the last known fiscal year collections less audits. Future estimated collections are then increased by audits, penalties and interest, foreign capital depository credits, and amended and back year amounts. Any federal and/or state legislative impacts not already reflected in the assumed growth rates are used to adjust the fiscal year estimates.

Revenue Projection:

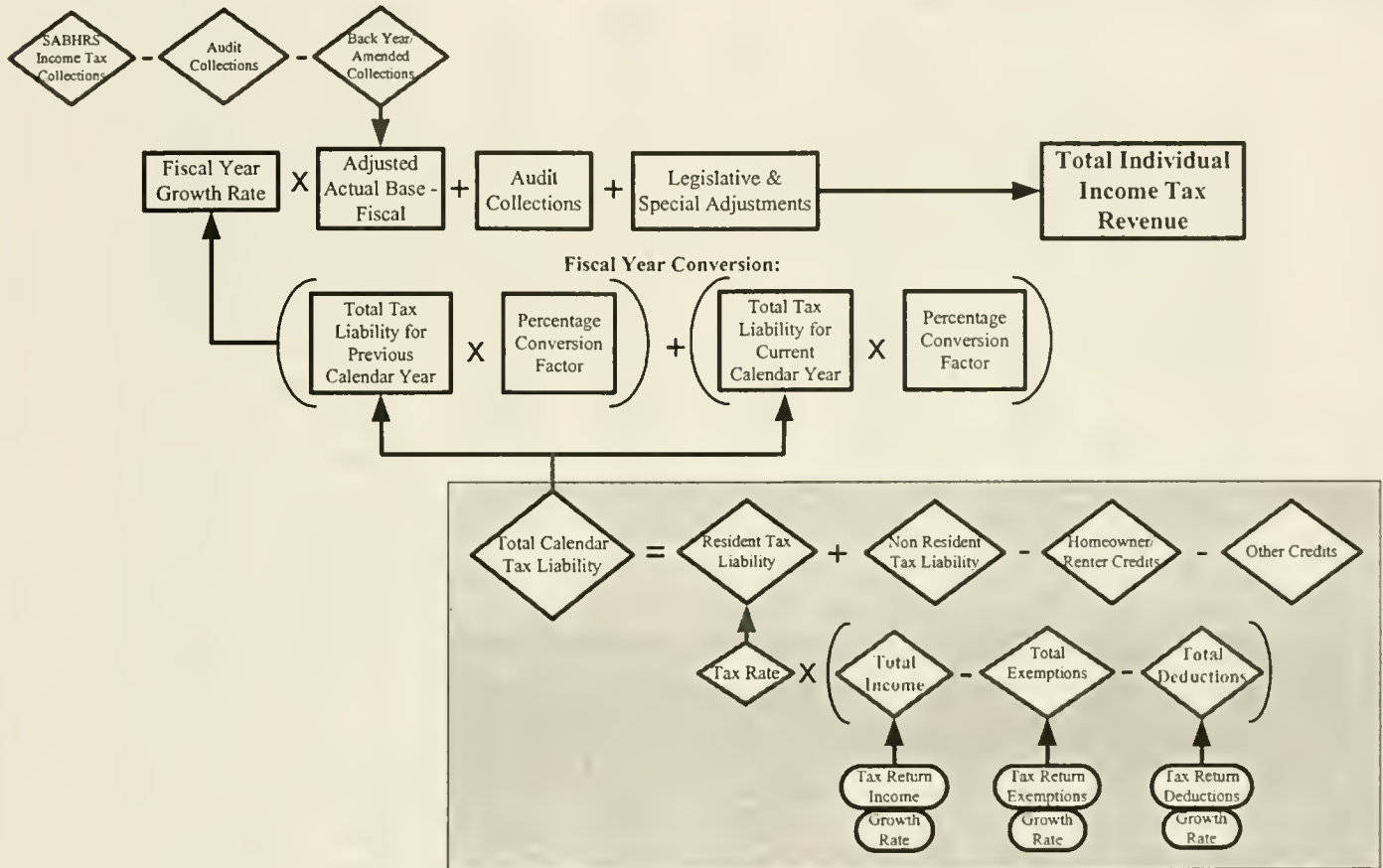


Legislative Fiscal Division

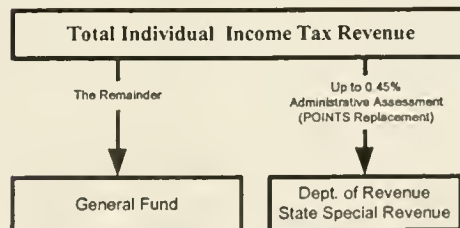
Revenue Estimate Profile

Individual Income Tax

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Audits</u>	<u>30% Bonus</u>	<u>Total</u>	<u>Fed Refund</u>	<u>Legislation</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Depreciation</u>	<u>Liability</u>	<u>Tax Benefit</u>	<u>Percent</u>
					<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	516.261912	516.261912	10.500000	0.000000	505.761912	0.000000	0.000000
Actual	2001	556.014554	556.014554	14.680000	-1.500000	547.014554	0.000000	0.000000
Actual	2002	517.567691	517.567691	21.812031	-3.000000	498.755660	0.000000	0.000000
Actual	2003	535.830664	535.830664	23.626679	-2.500000	514.703985	0.000000	0.000000
Actual	2004	605.582309	605.348420	29.922459	-1.750000	577.409850	0.000000	0.000000
Forecast	2005	589.788000	588.638000	25.501460	-0.537000	564.619108	0.000000	0.200000
Forecast	2006	607.653000	605.029000	26.161691	2.151000	579.140547	0.000000	0.200000
Forecast	2007	632.983721	629.840000	27.578188	1.308000	610.497533	-6.600000	0.200000

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Audits</u>	<u>30% bonus</u>	<u>Total Liability</u>	<u>DOR Loan</u>	
	<u>Fiscal</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Payment</u>	<u>Annual</u>
		<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000						0.000000	
Actual	2001	7.7001%	7.7001%	39.8095%		8.1565%	0.000000	NA
Actual	2002	-6.9147%	-6.9147%	48.5833%	100.0000%	-8.8222%	0.000000	NA
Actual	2003	3.5286%	3.5286%	8.3195%	-16.6667%	3.1976%	0.000000	NA
Actual	2004	13.0175%	12.9738%	26.6469%	-30.0000%	12.1829%	0.233889	NA
Forecast	2005	-2.6081%	-2.7605%	-14.7749%	-69.3143%	-2.2152%	1.150199	391.7713%
Forecast	2006	3.0291%	2.7846%	2.5890%	-500.5587%	2.5719%	2.623970	128.1318%
Forecast	2007	4.1686%	4.1008%	5.4144%	-39.1911%	5.4144%	3.144202	19.8261%

	<u>t</u>	<u>Resident</u>	<u>Population</u>	<u>Homeowner</u>	<u>All Other</u>	<u>All Filers</u>	<u>All Filers</u>	<u>Taxable</u>
	<u>Cal.</u>	<u>Liability</u>	<u>Adjustment</u>	<u>Credit</u>	<u>Credits</u>	<u>Multiplier</u>	<u>Liability</u>	<u>Income</u>
		<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	518.279456		8.374710	21.404549	1.071158	525.379927	8,226.369886
Actual	2001	490.801668	1.000000	9.544352	24.151016	1.066141	489.568413	8,087.111270
Actual	2002	494.216195	1.000000	11.049173	19.408774	1.061617	494.210367	8,074.343167
Actual	2003	538.246242	1.000000	11.579533	21.838995	1.066718	540.738427	8,623.646928
Forecast	2004	559.304740	1.010000	12.135351	21.963743	1.069650	570.143824	8,952.510323
Forecast	2005	548.867058	1.020100	12.717848	22.842293	1.070000	563.532095	10,243.612962
Forecast	2006	575.874329	1.030300	13.328304	23.755985	1.070000	597.771665	10,596.975858
Forecast	2007	597.477557	1.040800	13.968063	24.706224	1.070000	626.710179	11,066.477366

	<u>t</u>	<u>Resident</u>	<u>Population</u>	<u>Homeowner</u>	<u>All Other</u>	<u>All Filers</u>	<u>All Filers</u>	<u>Taxable</u>
	<u>Cal.</u>	<u>Liability</u>	<u>Adjustment</u>	<u>Credit</u>	<u>Credits</u>	<u>Multiplier</u>	<u>Liability</u>	<u>Income</u>
		<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000							
Actual	2001	-5.3017%		13.9664%	12.8312%	-0.4684%	-6.8163%	-1.692832%
Actual	2002	0.6957%	0.0000%	15.7666%	-19.6358%	-0.4243%	0.9482%	-0.157882%
Actual	2003	8.9091%	0.0000%	4.8000%	12.5212%	0.4805%	9.4146%	6.803077%
Forecast	2004	3.9124%	1.0000%	4.8000%	0.5712%	0.2749%	5.4380%	3.813507%
Forecast	2005	-1.8662%	1.0000%	4.8000%	4.0000%	0.0327%	-1.1597%	14.421683%
Forecast	2006	4.9205%	0.9999%	4.8000%	4.0000%	0.0000%	6.0759%	3.449592%
Forecast	2007	3.7514%	1.0191%	4.8000%	4.0000%	0.0000%	4.8411%	4.430524%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Wages</u>	<u>Annual</u>	<u>Interest</u>	<u>Annual</u>	<u>Dividends</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	8,569.388406		652.743511		374.794193	
Actual	2001	9,013.441387	5.1819%	662.616830	1.5126%	302.464371	-19.2985%
Actual	2002	9,265.904285	2.8010%	528.958537	-20.1713%	264.875326	-12.4276%
Actual	2003	9,649.686526	4.1419%	453.025235	-14.3552%	297.422847	12.2879%
Forecast	2004	10,199.718658	5.7000%	459.714945	1.4767%	332.986590	11.9573%
Forecast	2005	10,648.506279	4.4000%	466.013416	1.3701%	337.703104	1.4164%
Forecast	2006	11,127.689061	4.5000%	470.821298	1.0317%	359.278943	6.3890%
Forecast	2007	11,628.435069	4.5000%	491.393401	4.3694%	382.065088	6.3422%

	<u>t</u>	<u>Business</u>	<u>Annual</u>	<u>Capital</u>	<u>Annual</u>	<u>Supplemental</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Income</u>	<u>Growth</u>	<u>Gains</u>	<u>Growth</u>	<u>Gains</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2000	606.597200		1,259.719705		46.175253	
Actual	2001	617.942632	1.8703%	785.759218	-37.6243%	42.906157	-7.0798%
Actual	2002	620.571881	0.4255%	637.443506	-18.8755%	32.565301	-24.1011%
Actual	2003	629.701263	1.4711%	790.912922	24.0758%	55.546743	70.5703%
Forecast	2004	685.650249	8.8850%	790.912922	0.0000%	55.546743	0.0000%
Forecast	2005	733.769659	7.0181%	805.790039	1.8810%	56.591580	1.8810%
Forecast	2006	774.691985	5.5770%	837.356977	3.9175%	58.808564	3.9175%
Forecast	2007	820.483496	5.9109%	879.048314	4.9789%	61.736595	4.9789%

	<u>t</u>	<u>Rents, Royalties</u>	<u>Annual</u>	<u>Farm Income</u>	<u>Annual</u>	<u>Social</u>	<u>Annual</u>
	<u>Cal.</u>	<u>S-Corps</u>	<u>Growth</u>	<u>Gains</u>	<u>Growth</u>	<u>Security</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2000	894.050325		-77.472732		255.296811	
Actual	2001	907.393972	1.4925%	-112.632772	45.3838%	257.153132	0.7271%
Actual	2002	1,014.593070	11.8140%	-157.524702	39.8569%	254.248840	-1.1294%
Actual	2003	1,019.724460	0.5058%	-146.211074	-7.1821%	267.287155	5.1282%
Forecast	2004	1,123.657328	10.1923%	-146.211074	0.0000%	280.276008	4.8595%
Forecast	2005	1,225.865032	9.0960%	-146.211074	0.0000%	292.523208	4.3697%
Forecast	2006	1,320.074152	7.6851%	-146.211074	0.0000%	315.958898	8.0116%
Forecast	2007	1,417.444170	7.3761%	-146.211074	0.0000%	336.094757	6.3729%

	<u>t</u>	<u>IRA</u>	<u>Annual</u>	<u>Pension</u>	<u>Annual</u>	<u>Other</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Income</u>	<u>Growth</u>	<u>Income</u>	<u>Growth</u>	<u>Income</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2000	267.961035		938.299938		-32.693707	
Actual	2001	264.672173	-1.2274%	969.018087	3.2738%	-22.436200	-31.3746%
Actual	2002	231.216869	-12.6403%	1,019.171838	5.1757%	-5.377242	-76.0332%
Actual	2003	237.257497	2.6125%	1,070.481555	5.0345%	-47.935941	791.4596%
Forecast	2004	248.787055	4.8595%	1,122.501740	4.8595%	-47.935941	0.0000%
Forecast	2005	259.658284	4.3697%	1,171.551616	4.3697%	-47.935941	0.0000%
Forecast	2006	280.460979	8.0116%	1,265.411248	8.0116%	-47.935941	0.0000%
Forecast	2007	298.334579	6.3729%	1,346.055100	6.3729%	-47.935941	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	Total <u>Income</u>	Annual	IRA <u>Deductions</u>	Annual	Fed Adjusted <u>Gross Income</u>	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	13,754.859938		202.442859		13,552.417079	
Actual	2001	13,688.298987	-0.4839%	205.024224	1.2751%	13,483.274763	-0.5102%
Actual	2002	13,454.034218	-1.7114%	252.613291	23.2114%	13,895.124986	3.0545%
Actual	2003	13,984.658291	3.9440%	292.240897	15.6871%	14,464.390379	4.0969%
Forecast	2004	14,809.048878	5.8950%	296.556345	1.4767%	15,303.910823	5.8040%
Forecast	2005	15,503.205792	4.6874%	300.619410	1.3701%	16,013.776292	4.6385%
Forecast	2006	16,312.684176	5.2214%	303.720914	1.0317%	16,839.461536	5.1561%
Forecast	2007	17,149.951835	5.1326%	316.991719	4.3694%	17,695.176972	5.0816%

	<u>t</u>	Bond <u>Interest</u>	Annual	FIT <u>Refunds</u>	Annual	Other <u>Additions</u>	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	42.518667		184.885555		145.637746	
Actual	2001	44.552431	4.7832%	203.809786	10.2356%	146.694821	0.7258%
Actual	2002	43.230217	-2.9678%	247.312164	21.3446%	150.548387	2.6269%
Actual	2003	44.962241	4.0065%	256.907579	3.8799%	177.862268	18.1429%
Forecast	2004	45.626187	1.4767%	269.239143	4.8000%	179.996615	1.2000%
Forecast	2005	46.251303	1.3701%	282.162622	4.8000%	182.156575	1.2000%
Forecast	2006	46.728480	1.0317%	295.706427	4.8000%	184.342453	1.2000%
Forecast	2007	48.770238	4.3694%	309.900336	4.8000%	186.554563	1.2000%

	<u>t</u>	Farm Risk <u>Mgmt Excl.</u>	Annual	Int. Exc. <u>Elderly</u>	Annual	Savings <u>Bond</u>	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	0.000000		46.732843		98.577472	
Actual	2001	0.000000	NA	46.773697	0.0874%	85.952848	-12.8068%
Actual	2002	0.061948	NA	43.310418	-7.4043%	59.642270	-30.6105%
Actual	2003	0.872912	1309.1044%	40.099155	-7.4145%	47.157089	-20.9334%
Forecast	2004	1.745824	100.0000%	40.691289	1.4767%	47.853446	1.4767%
Forecast	2005	1.745824	0.0000%	41.248793	1.3701%	48.509077	1.3701%
Forecast	2006	1.745824	0.0000%	41.674359	1.0317%	49.009548	1.0317%
Forecast	2007	1.745824	0.0000%	43.495282	4.3694%	51.150975	4.3694%

	<u>t</u>	Exempt <u>Retirement</u>	Annual	Unemployment	Annual	Med. <u>Savings</u>	Annual
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	156.465588		50.685840		6.777035	
Actual	2001	161.621214	3.2951%	59.504425	17.3985%	8.242749	21.6277%
Actual	2002	166.435046	2.9785%	78.266420	31.5304%	9.937218	20.5571%
Actual	2003	168.680258	1.3490%	85.701639	9.4999%	11.398465	14.7048%
Forecast	2004	170.323005	0.9739%	88.318869	3.0539%	12.858268	12.8070%
Forecast	2005	171.981751	0.9739%	91.016027	3.0539%	14.324915	11.4063%
Forecast	2006	173.656651	0.9739%	93.795553	3.0539%	15.780139	10.1587%
Forecast	2007	175.347862	0.9739%	96.659962	3.0539%	17.207860	9.0476%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Family Education	Annual	First Time Home	Annual	Doctor Student Loan Excl.	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	2.118416		0.739084		0.000000	
Actual	2001	3.415825	61.2443%	0.912566	23.4726%	0.000000	NA
Actual	2002	5.479782	60.4234%	0.928656	1.7632%	0.000000	NA
Actual	2003	6.583685	20.1450%	1.067385	14.9387%	0.381209	NA
Forecast	2004	7.680966	16.6667%	1.216819	14.0000%	0.438390	14.9999%
Forecast	2005	8.778247	14.2857%	1.366253	12.2807%	0.499765	14.0001%
Forecast	2006	9.875528	12.5000%	1.513433	10.7725%	0.559737	12.0000%
Forecast	2007	10.972808	11.1111%	1.656446	9.4496%	0.615710	9.9999%

	t	Other Reductions	Annual	Additions to Income	Additions	Reductions to Income	Reductions
	Cal.	Millions	Growth	Millions	Annual Growth	Millions	Annual Growth
Actual	2000	442.097368		373.041968		806.947225	
Actual	2001	470.668689	6.4627%	395.057038	5.9015%	838.884217	3.9578%
Actual	2002	496.250650	5.4352%	441.090768	11.6524%	860.312408	2.5544%
Actual	2003	530.169050	6.8349%	479.732088	8.7604%	892.110847	3.6962%
Forecast	2004	567.280884	7.0000%	494.861945	3.1538%	938.407760	5.1896%
Forecast	2005	606.990545	7.0000%	510.570500	3.1743%	986.461197	5.1207%
Forecast	2006	649.479884	7.0000%	526.777360	3.1743%	1,037.090656	5.1324%
Forecast	2007	694.943475	7.0000%	545.225137	3.5020%	1,093.796204	5.4678%

	t	MT Adjusted Gross Income	MAGI Annual	Medical Premiums	Annual	Medical Deductions	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	13,118.511822		200.002957		184.849463	
Actual	2001	13,039.447584	-0.6027%	217.940463	8.9686%	203.239099	9.9484%
Actual	2002	13,034.812578	-0.0355%	239.493910	9.8896%	222.983052	9.7146%
Actual	2003	13,572.279532	4.1233%	237.737082	-0.7336%	236.626833	6.1188%
Forecast	2004	14,365.503063	5.8444%	254.769938	7.1646%	253.580144	7.1646%
Forecast	2005	15,027.315095	4.6070%	274.734493	7.8363%	273.451463	7.8363%
Forecast	2006	15,802.370880	5.1576%	295.033022	7.3884%	293.655197	7.3884%
Forecast	2007	16,601.380768	5.0563%	313.022285	6.0974%	311.560449	6.0974%

	t	Long Term Care	Annual	Federal Income Tax Deducted	Annual	Non-current Yr Fed Deduct	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	13.502837		1,518.673839		221.424540	
Actual	2001	14.061406	4.1367%	1,558.108639	2.5967%	233.916512	5.6416%
Actual	2002	15.887210	3.9700%	1,462.980639	-6.1054%	181.536187	-22.3927%
Actual	2003	17.295360	3.8200%	1,437.610873	-1.7341%	175.241904	-3.4672%
Forecast	2004	18.534499	3.6800%	1,559.682795	8.4913%	182.440652	4.1079%
Forecast	2005	19.986920	3.6800%	580.663101	-62.7704%	189.938630	4.1098%
Forecast	2006	21.463637	3.6800%	607.966068	4.7020%	197.748464	4.1118%
Forecast	2007	22.772355	3.6800%	617.206238	1.5198%	205.883325	4.1137%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Real</u>	<u>Annual</u>	<u>Vehicle</u>	<u>Vehicle</u>	<u>Home</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Estate</u>	<u>Growth</u>	<u>Taxes</u>	<u>Annual</u>	<u>Mortgage</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	
Actual	2000	239.539241		43.249518		674.783486	
Actual	2001	248.404235	3.7009%	35.414255	-18.1164%	722.240324	7.0329%
Actual	2002	274.873159	10.6556%	39.533367	11.6312%	752.226098	4.1518%
Actual	2003	291.351060	5.9947%	40.720924	3.0039%	744.358655	-1.0459%
Forecast	2004	303.494456	4.1680%	41.942552	3.0000%	776.310321	4.2925%
Forecast	2005	316.143983	4.1680%	43.200828	3.0000%	816.314942	5.1532%
Forecast	2006	329.320738	4.1680%	44.496853	3.0000%	854.015349	4.6184%
Forecast	2007	343.046695	4.1680%	45.831759	3.0000%	892.577957	4.5154%

	<u>t</u>	<u>Deductible</u>	<u>Annual</u>	<u>Contributions</u>	<u>Annual</u>	<u>Child</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Interest</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Care</u>	<u>Growth</u>
		<u>Millions</u>				<u>Millions</u>	
Actual	2000	39.843897		275.164610		1.618924	
Actual	2001	36.076803	-9.4546%	294.840519	7.1506%	1.776837	9.7542%
Actual	2002	27.933231	-22.5729%	345.228308	17.0898%	1.667803	-6.1364%
Actual	2003	24.518357	-12.2251%	337.410601	-2.2645%	1.704198	2.1822%
Forecast	2004	24.880413	1.4767%	355.630773	5.4000%	1.736578	1.9000%
Forecast	2005	25.221295	1.3701%	374.834835	5.4000%	1.769573	1.9000%
Forecast	2006	25.481505	1.0317%	395.075916	5.4000%	1.803195	1.9000%
Forecast	2007	26.594896	4.3694%	416.410016	5.4000%	1.837455	1.9000%

	<u>t</u>	<u>Casualty</u>	<u>Annual</u>	<u>Miscellaneous</u>	<u>Annual</u>	<u>Miscellaneous</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Expense 1</u>	<u>Growth</u>	<u>Expense 2</u>	<u>Growth</u>
				<u>Millions</u>		<u>Millions</u>	
Actual	2000	7.212024		129.241069		3.770804	
Actual	2001	3.158568	-56.2041%	140.956776	9.0650%	3.760967	-0.2609%
Actual	2002	4.464106	41.3332%	146.328492	3.8109%	4.266845	13.4507%
Actual	2003	4.105444	-8.0344%	146.982049	0.4466%	7.147014	67.5011%
Forecast	2004	4.320569	5.2400%	160.041411	8.8850%	7.147014	0.0000%
Forecast	2005	4.546967	5.2400%	171.273228	7.0181%	7.147014	0.0000%
Forecast	2006	4.785228	5.2400%	180.825134	5.5770%	7.147014	0.0000%
Forecast	2007	5.035974	5.2400%	191.513584	5.9109%	7.147014	0.0000%

	<u>t</u>	<u>Gambling</u>	<u>Annual</u>	<u>Itemized</u>	<u>Annual</u>	<u>Exemptions</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Losses</u>	<u>Growth</u>	<u>Deductions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>			
Actual	2000	5.692095		4,036.333109		1,444.028900	
Actual	2001	4.839289	-14.9823%	4,136.668940	2.4858%	1,488.611840	3.0874%
Actual	2002	4.846199	0.1428%	3,724.248606	-9.9699%	1,518.609340	2.0151%
Actual	2003	4.674101	-3.5512%	3,678.689093	-1.2233%	1,559.655580	2.7029%
Forecast	2004	4.674101	0.0000%	3,882.889019	5.5509%	1,612.228240	3.3708%
Forecast	2005	4.674101	0.0000%	3,015.587242	-22.3365%	1,664.800900	3.2609%
Forecast	2006	4.674101	0.0000%	3,166.136611	4.9924%	1,698.776429	2.0408%
Forecast	2007	4.674101	0.0000%	3,278.917250	3.5621%	1,732.751958	2.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are also collected.

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. For each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$0.70 to the State's Insurance Commissioner. This fee is used to fund the voluntary statewide genetics program established in statute (50-19-211, MCA). Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of \$1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities. The following lists various insurance related fees.

Insurance Fees Collected by the State Auditor			
Fee	Amount	MCA Cite	ARM Cite
General Fund			
Farm mutual insurer filing of articles of incorporation	10.00	33-4-202	
Farm mutual county insurer certificate of authority	10.00	33-4-505	
Farm mutual state insurer certificate of authority	25.00	33-4-505	
Fraternal benefit society report filing	25.00	33-7-118	
Fraternal benefit society certificate of authority renewal	10.00	33-7-217	
Fraternal benefit society lapsed certificate of authority reinstatement	25.00	33-7-217	
State Auditor's Office			
Domestic and foreign insurer accreditation	275.00	33-1-313	6.6.4101
Insurance producers charges and expenses for examinations	Variable	33-1-413	
Reinstatement of certificate of authority	100.00	33-2-117	
Certificate of authority	1,900.00	33-2-708	
Non-resident application for original license	100.00	33-2-708	
Non-resident biennial license renewal	50.00	33-2-708	
Non-resident lapsed license reinstatement	100.00	33-2-708	
Resident lapsed insurance producer's license reinstatement	100.00	33-2-708	
Surplus lines insurance producer license application	50.00	33-2-708	
Surplus lines insurance producer license biennial renewal	100.00	33-2-708	
Surplus lines insurance lapsed producer license reinstatement	200.00	33-2-708	
Insurance adjuster license application	50.00	33-2-708	
Insurance adjuster license biennial renewal	100.00	33-2-708	
Insurance adjuster lapsed license reinstatement	200.00	33-2-708	
Insurance consultant license application	50.00	33-2-708	
Insurance consultant license biennial renewal	100.00	33-2-708	
Insurance consultant lapsed license reinstatement	200.00	33-2-708	
Rental car entity producer license application	100.00	33-2-708	
Rental car entity producer quarterly filing	25.00	33-2-708	
A copy of each document page	0.50	33-2-708	

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Insurance Fees Collected by the State Auditor (continued)				
Fee	Amount	MCA Cite	ARM Cite	
Review of each course or program submitted for continuing education	75.00	33-2-708		
Genetics program fee for each MT resident insured	0.70	33-2-712		
Surplus lines stamping fee	1% of base premium	33-2-321		6.6.2804
Charges and expenses for examinations	Variable	33-4-315		
Fraternal benefit society charges and expenses for examinations	Variable	33-7-119		
Fraternal benefit society service of process	2.00	33-7-123		
Guaranty associations charges and expenses for examinations	Variable	33-10-218		
Premium finance company license application	100.00	33-14-201		
Premium finance company license renewal	100.00	33-14-201		
Rating & advisory organization charges and expenses for examinations	Variable	33-16-106		
Rating & advisory organization license application	100.00	33-16-403		
Insurance producers background examination	Variable	33-17-201		
Insurance producers charges and examinations	Variable	33-17-212		
Review of each non-resident course submitted for continuing education	75.00	33-17-1206		6.6.4213
Viatical settlement provider registration application	1,900.00	33-20-1315		6.6.8502
Viatical settlement broker license	50.00	33-20-1315		6.6.8502
Viatical settlement provider license renewal	1,900.00	33-20-1315		6.6.8503
Captive insurance company license application	200.00	33-28-102		
Captive insurance company license renewal	300.00	33-28-102		
Captive insurance company examinations and investigations	Variable	33-28-108		
Health service corporation certified copies	0.50	33-30-204		
Health service corporation membership contract filing	25.00	33-30-204		
Health service corporation membership contract package filing	100.00	33-30-204		
Health service corporation filing statement	25.00	33-30-204		
Health service corporation license	300.00	33-30-204		
Health service corporation license renewal	300.00	33-30-204		
Health maintenance organization certification of authority	300.00	33-31-212		
Health maintenance organization amendment to documents	25.00	33-31-212		
Health maintenance organization statement filing	25.00	33-31-212		
Health maintenance organization certification of authority renewal	300.00	33-31-212		
Health maintenance organization charges & examinations	Variable	33-31-401		
Actual cost to review an application for a managed care community network	Variable	53-6-703		6.6.5805

Distribution: Insurance tax proceeds from the tax on surplus lines premiums, net premiums, captive insurance company premiums, and fire insurance premiums are deposited into the general fund along with genetic fee revenue. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor.

Collection Frequency: Quarterly and annually

Major Drivers:

- Number of insurance policies sold
- Amount of premiums
- Tax and fee rates

Potential Factors Influencing Change:

- Economic Factors
 - Population change
 - Earnings on investments
 - Personal income change
- Social Factors
 - Perception of risks

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

- Government or industry announcements
- Legislative Factors
 - State legislative impacts
 - Tax and fees changes
 - Federal legislative impacts
 - Regulation change

Data Source(s): SABHRS, State Auditor

Contacts: State Auditor

Statutory Reference:

Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)

Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712

Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1)

Date Due – March 1st each year (33-2-705(1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15th of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

% of Total FY 2004 General Fund Revenue: 4.11%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

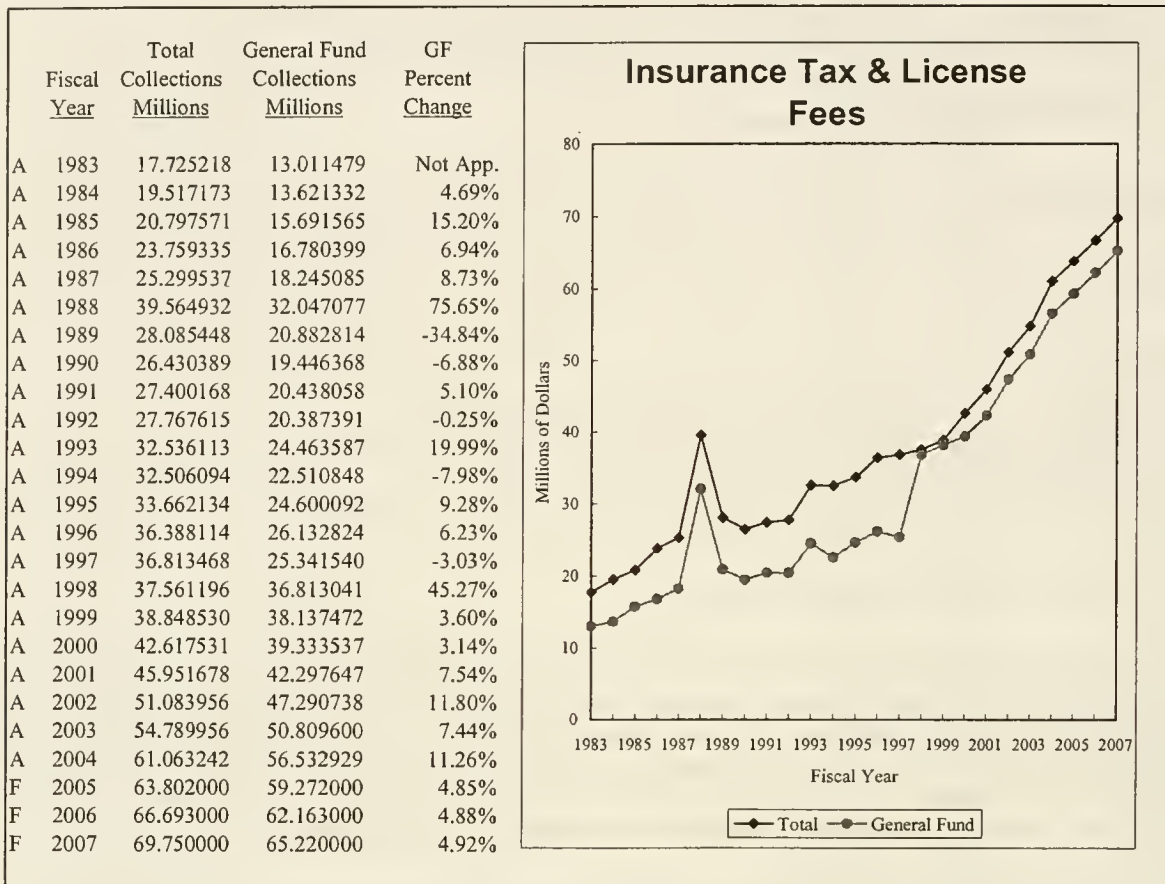
The LFD is provided a detailed historical breakdown of insurance tax and fee revenue from the State Auditor. Through analysis of the historical data, the LFD determines trends for the applicable assumptions, including: fee revenue, genetics fee revenue, premium tax revenue, guarantee offset amounts, and refunds. During this process, moving averages and the relationship of revenues to economic indicators are considered. In all cases, an appropriate growth rate is determined for each assumption and is applied to the most recent actual collection data. Finally, the estimate is reduced by guarantee offsets and refunds to establish the estimate of future insurance tax and license fee collections.

Legislative Fiscal Division

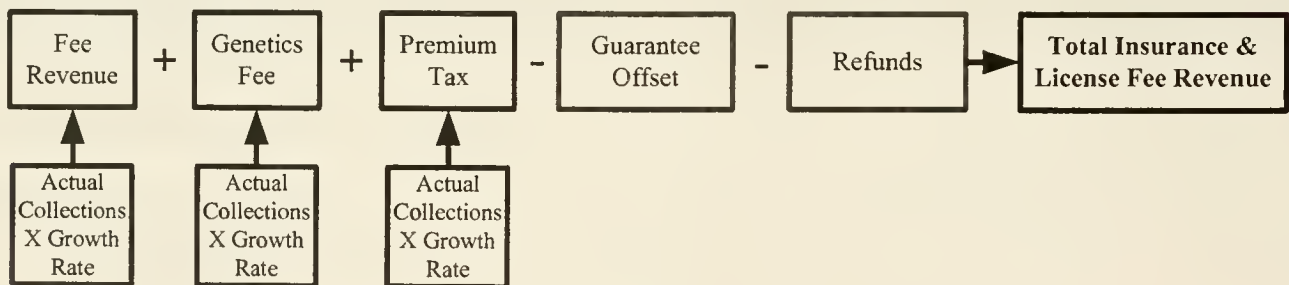
Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Projection:



Forecast Methodology

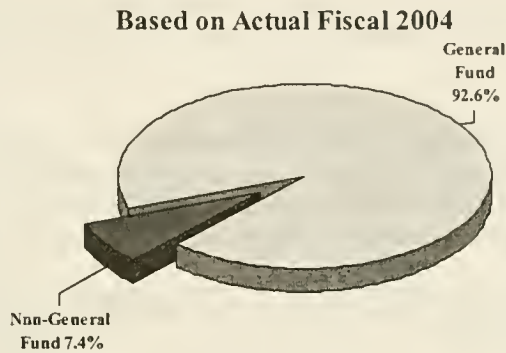


Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Non-GF Fees</u>	<u>GF Fees</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	42.617531	39.333537	3.283994	1.028229
Actual	2001	45.951678	42.297647	3.654031	0.444540
Actual	2002	51.083956	47.290738	3.793218	0.290736
Actual	2003	54.789956	50.809600	3.980356	0.378097
Actual	2004	61.063242	56.532929	4.530313	0.623010
Forecast	2005	63.802000	59.272000	4.530313	0.623010
Forecast	2006	66.693000	62.163000	4.530313	0.623010
Forecast	2007	69.750000	65.220000	4.530313	0.623010

	<u>t</u>	<u>Genetics</u>	<u>Premium Tax</u>	<u>Offsets</u>	<u>Refunds</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.542398	40.121480	2.082935	1.881369
Actual	2001	0.634902	42.405287	0.861069	0.326014
Actual	2002	0.569711	47.682854	0.740006	0.512557
Actual	2003	0.563399	52.037866	1.463016	0.706745
Actual	2004	0.582956	56.775107	1.161437	0.286707
Forecast	2005	0.582956	59.593289	1.127916	0.400000
Forecast	2006	0.582956	62.551297	1.120412	0.475000
Forecast	2007	0.582956	65.656196	1.168182	0.475000

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Description: Investment advisors and investment companies pay various fees to the state. These fees are for: 1) registration of securities and agents; 2) registration of securities by notification; 3) notice of a federal filing of a federally secured security; and 4) name changes.

Applicable Tax Rate(s): Initial and annual security registration fees vary based on the offering price of securities, but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$200. Initial and annual registration fees for a salesperson or investment adviser are \$50. The fee for name changes to series, portfolio, or a subdivision of an investment company is \$50. More details on the fees are provided below.

Security Fees Collected by the State Auditor				
Fee	Amount	MCA Cite	ARM Cite	
<u>General Fund</u>				
Certified or uncertified copies	0.50	30-10-107		
Initial registration for the first \$100,000 issue	200	30-10-209		
Additional registration fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-209		
Registration renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-209		
Late amended registration 0.3%, min of \$600 & max of \$3,000	3,000	30-10-209		
Name change of series, portfolio or other subdivision of an issuer	50	30-10-209		
Registration for broker-dealer or investment adviser	200	30-10-209		
Registration renewal for broker-dealer or investment adviser	200	30-10-209		
Initial registration for salesperson or investment adviser representative	50	30-10-209		
Registration renewal for salesperson or investment adviser representative	50	30-10-209		
Transfer of registration for salesperson or investment adviser representative	50	30-10-209		
Initial registration for federal covered adviser	200	30-10-209		
Registration renewal for federal covered adviser	200	30-10-209		
Certified or uncertified copies	Variable	30-10-209		
Request for exemption for transaction in compliance with rules-first \$100,000	200	30-10-209	6.10.120	
Request for exemption for transaction in compliance with rules-0.1% over \$100,000, \$1,000 max	1,000	30-10-209	6.10.120	
Request for exemption for other transactions	50	30-10-209		
Living trusts initial license application for the first \$100,000 issue	200	30-10-904		
Living trusts additional license application fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-904		
Living trusts license renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-904		
<u>State Auditor's Office</u>				
Collected examination costs	Various	30-10-115		
Portfolio notice filing - Initial registration for the first \$100,000 issue	200	30-10-209		
Portfolio notice filing - Additional registration fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-209		
Portfolio notice filing - Registration renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-209		
Portfolio notice filing - Late amended registration 0.3%, min of \$600 & max of \$3,000	3,000	30-10-209		

Distribution: All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the "All Other" revenue category.

Collection Frequency: Varies

Major Drivers:

- Number of investment advisors and investment companies
- Number and offering price of securities
- Fee amount

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - Investment rates of return
- Social Factors
 - Government or industry announcements
- Legislative Factors
 - State legislative impacts
 - Fee and distribution changes
 - Federal legislative impacts
 - Regulation changes
 - Actions that affect the economy

Data Source(s): State Auditor

Contacts: State Auditor

Statutory Reference:

Fee Rate (MCA) – 30-10-209, 30-10-904

Fee Distribution (MCA) – 30-10-115, 30-10-209(6), portfolio notice fee (30-10-209(1d)), 30-10-210(2), 30-10-907

Date Due (Regulation of dealers) – initial (upon registration), annual (prior to December 31st) (30-10-201 (9&11))

Date Due (Regulation of securities) – upon registration (30-10-206(3c), valid for one year (30-10-209(1b)), renewal (prior to termination date):

% of Total FY 2004 General Fund Revenue: 0.35%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

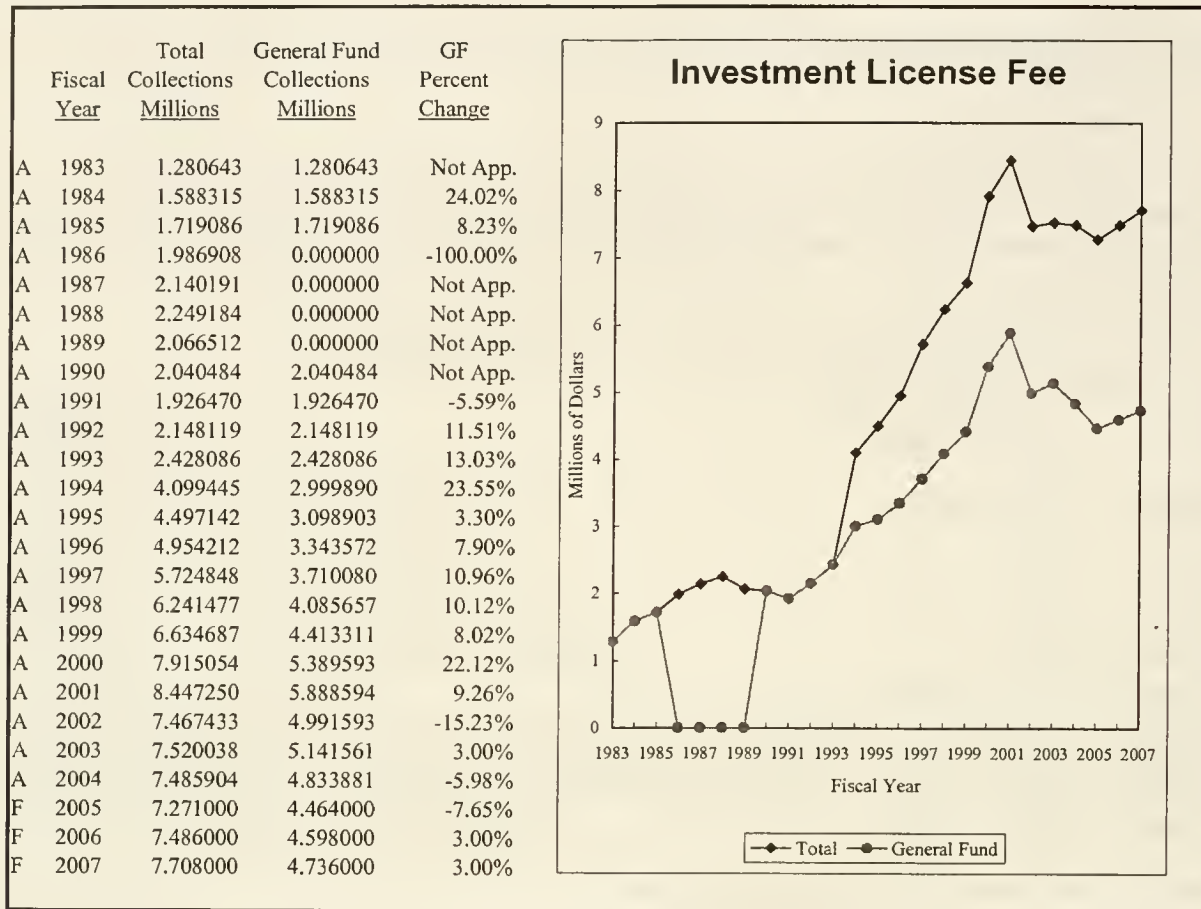
Separate data is available for revenue from portfolio notice filings and a growth rate is applied to the last applicable known year. Estimates for licenses and permits, examination fees, and portfolio expenses were derived from executive budget submissions. The totals for each fee type less portfolio administration costs equal the estimate for investment license income.

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

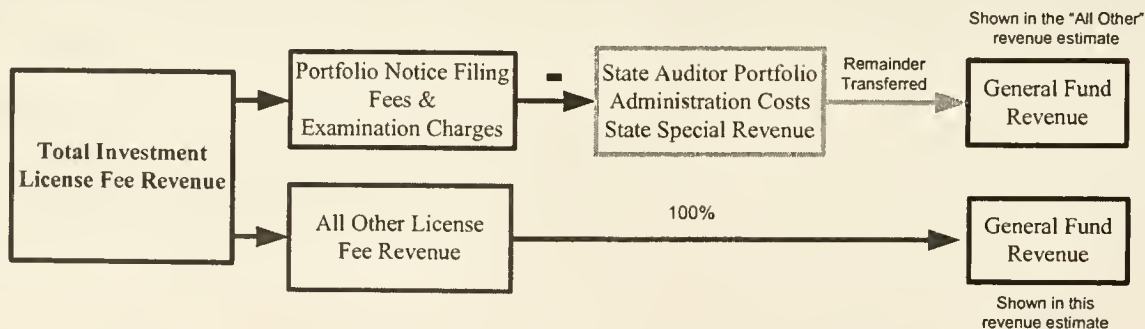
Revenue Projection:



Forecast Methodology

$$\left(\text{Base Year Revenue from Portfolio Fees} \times \text{Growth Rate} \right) + \text{Examination Fees and Non-general Fund Fee Revenue From Budget Submission} - \text{Portfolio Expenses} = \text{Total Investment License Fee Revenue}$$

Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile Investment License Fee

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Transfer</u>	<u>Licenses</u>	<u>Portfolio</u>	<u>Port. Exp.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.915054	5.389593	2.296258	5.389593	2.525461	0.151983
Actual	2001	8.447250	5.888594	2.445000	5.888594	2.558656	0.135759
Actual	2002	7.467433	4.991593	2.179165	4.991593	2.475840	0.202493
Actual	2003	7.520038	5.141561	2.036200	5.141787	2.378477	0.320954
Actual	2004	7.485904	4.833881	2.113000	4.833881	2.652023	0.683808
Forecast	2005	7.271000	4.464000	2.044000	4.463897	2.807075	0.763018
Forecast	2006	7.486000	4.598000	2.104000	4.597814	2.888599	0.784381
Forecast	2007	7.708000	4.736000	2.183000	4.735748	2.972569	0.789312

	<u>t</u>	<u>Licenses</u>	<u>Portfolio</u>	<u>Expense</u>
	<u>Fiscal</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>
Actual	2000	0.221213	0.137475	0.044550
Actual	2001	0.092586	0.013144	-0.106749
Actual	2002	-0.152329	-0.034073	0.491562
Actual	2003	0.030089	-0.042251	0.585013
Actual	2004	-0.059883	0.114598	1.130548
Forecast	2005	0.000000	0.030000	0.000000
Forecast	2006	0.000000	0.030000	0.000000
Forecast	2007	0.000000	0.030000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Revenue Description: The state imposes two taxes on room charges collected by lodging facilities and campgrounds – a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging.

The 3 percent lodging sales tax began June 1, 2003 and applies to hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities: 1) for health care; 2) owned by non-profit corporations for use by people under 18-years of age for camping; 3) whose average daily charge is less than 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. Sales to the U.S. government are also exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The vendor must pay the tax due by the last day of the month following a calendar quarter. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed \$1,000 a quarter. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed.

The 4 percent lodging facility use tax applies to facilities containing individual sleeping rooms or suites, providing overnight lodging for periods of less than 30 days to the general public for compensation. This includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodginghouses, or bed and breakfasts. Exempt are: 1) non-profit or religious corporation facilities used primarily by persons under 18 years of age for camping; 2) facilities whose average daily charge does not exceed 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. All facilities must be registered with the Department of Revenue. Any of the tax paid by state employees is returned to the fund that paid the tax. Since general fund pays a portion of the tax, a portion is returned to the general fund. This amount is also shown in the "All Other Revenue" profile.

Applicable Tax Rate(s): The lodging sales tax is 3.0 percent of the sales price. The lodging facility use tax is 4.0 percent of room charges.

Distribution:

1. Sales Tax: 100% general fund
2. Lodging Facility Use Tax:

Fiscal 2004 - 2007, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund; and 3) \$400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties. After these distributions, the remainder is distributed and statutorily appropriated:

- 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- 22.5% to regional nonprofit tourism corporations.
- 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Fiscal 2008 and beyond, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; and 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund. After these distributions, the remainder is distributed and statutorily appropriated:

- 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- 22.5% to regional nonprofit tourism corporations.
- 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Collection Frequency: The owner of a facility collects the tax and remits it quarterly to the Department of Revenue.

Major Drivers:

- Tax rate
- Number of lodgers
- Price of lodging

Potential Factors Influencing Change:

- Economic Factors
 - Available lodging facilities
 - Expected tourism
 - Wild fire occurrences
 - Airline passenger rates
 - Gasoline price
 - Personal income change
- Social Factors
 - Government or industry announcements
 - Consumer confidence
 - Potential of terrorist threats
- Legislative Factors
 - State legislative impacts
 - Change in tax rate

Data Source(s): UM Institute for Tourism and Recreation Research, SABHRS, Global Insight

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) - 15-65-111 (lodging facility use tax), 15-68-102 (lodging sales tax)

Tax Distribution (MCA) - 15-65-121 (lodging facility use tax), 15-68-820 (lodging sales tax)

Date Due – Lodging facility use tax is due before the end of calendar quarter (15-65-112). The lodging sales tax is due the last day of the month following the calendar quarter (15-68-502(1)).

% of Total FY 2004 General Fund Revenue: 0.67% (a small portion for reimbursement of lodging facility taxes paid by state employees is included in "All Other General Fund Revenue")

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

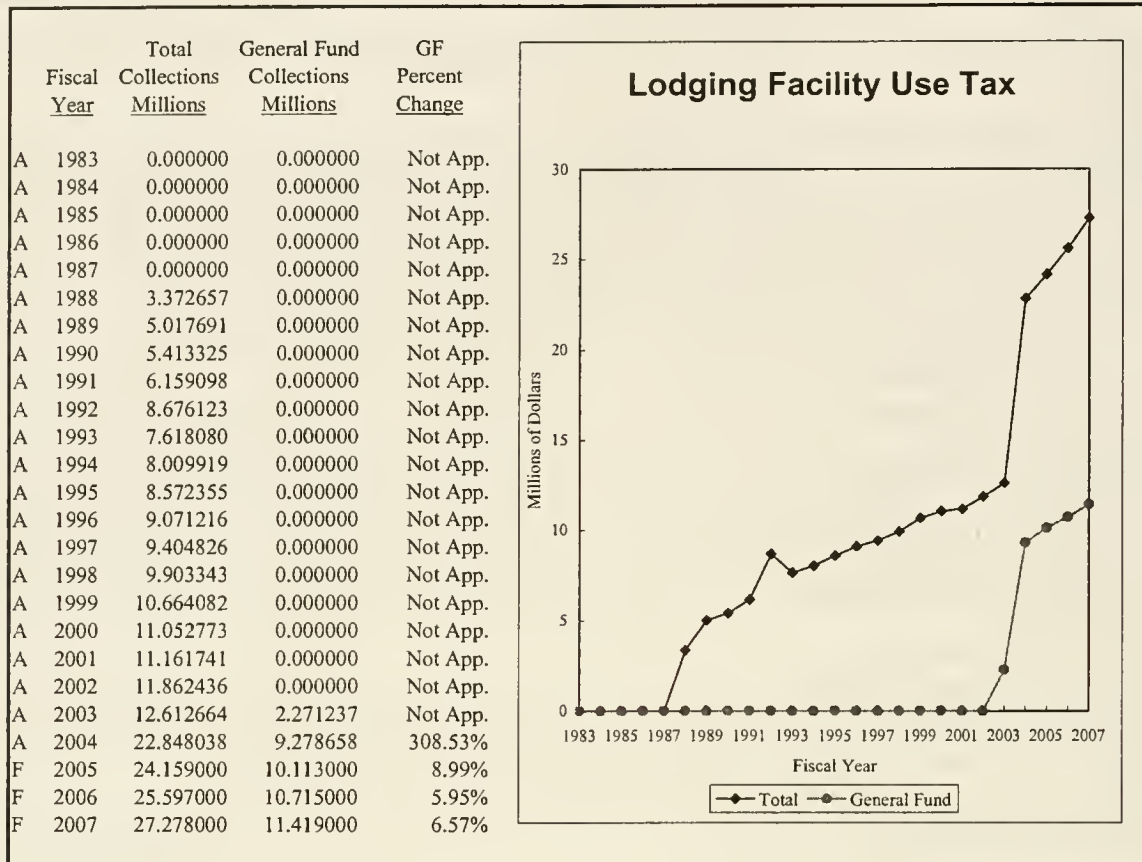
The LFD projects both the lodging facility sales tax and use tax with a trend analysis. First, the average growth is computed, factoring out unusually high and low years of growth. Next, the average growth rate is applied to prior year collections to calculate the estimate of total lodging in Montana. Finally, the tax rate is applied to the estimate of total lodging to create the lodging facility sales tax and use tax.

Legislative Fiscal Division

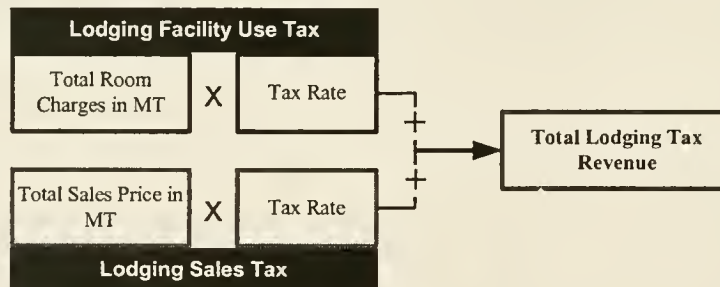
Revenue Estimate Profile

Lodging Taxes

Revenue Projection:



Forecast Methodology

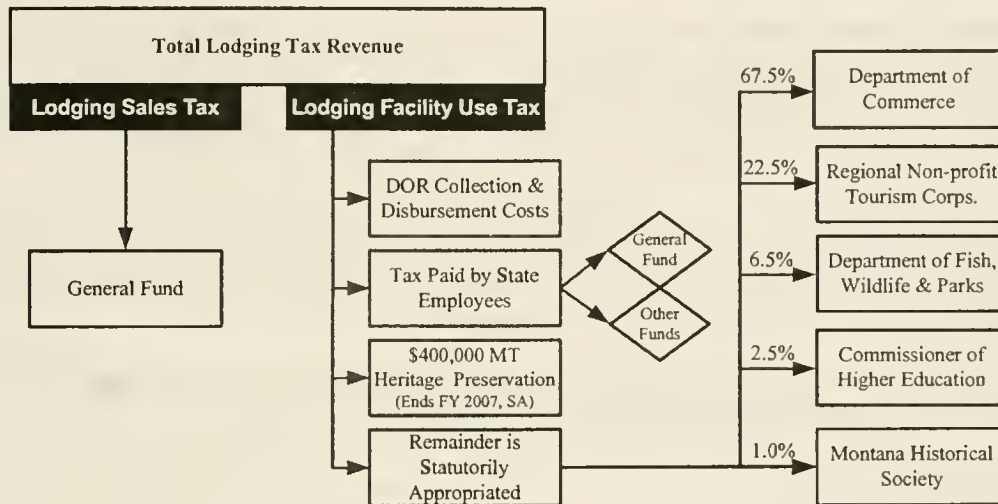


Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Room Charge</u>	<u>Tax</u>	<u>Room Charge</u>	<u>Tax</u>	<u>DOR</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Millions</u>	<u>Rate</u>	<u>Admin.</u>
								<u>Millions</u>
Actual	2000	11.052773	0.000000	276.319325	4.0000%			0.114927
Actual	2001	11.161741	0.000000	279.043525	4.0000%			0.114525
Actual	2002	11.862436	0.000000	296.560900	4.0000%			0.126368
Actual	2003	12.612664	2.271237	216.035675	4.0000%			0.103338
Actual	2004	22.848038	9.278658	339.234500	4.0000%	309.288600	3.0000%	0.137254
Forecast	2005	24.159000	10.113000	351.150000	4.0000%	337.100000	3.0000%	0.141000
Forecast	2006	25.597000	10.715000	372.050000	4.0000%	357.167000	3.0000%	0.146000
Forecast	2007	27.278000	11.419000	396.475000	4.0000%	380.633000	3.0000%	0.150000

	<u>t</u>	<u>Higher Ed.</u>	<u>DOC</u>	<u>Sites & Signs</u>	<u>Regional</u>	<u>FWP</u>	<u>MT. Heritage</u>	<u>All Other</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Entities</u>
								<u>Millions</u>
Actual	2000	0.263447	7.113045	0.105379	2.371015	0.684960	0.400000	0.000000
Actual	2001	0.267061	7.210657	0.106824	2.403552	0.694358	0.400000	-0.035236
Actual	2002	0.283388	7.651483	0.113892	2.550494	0.736809	0.400000	0.000002
Actual	2003	0.288449	6.088121	0.115511	2.596040	0.749968	0.400000	0.000000
Actual	2004	0.325804	8.796686	0.130321	2.932227	0.847088	0.400000	0.000000
Forecast	2005	0.338000	9.116000	0.135000	3.039000	0.878000	0.400000	0.000000
Forecast	2006	0.358000	9.677000	0.143000	3.226000	0.932000	0.400000	0.000000
Forecast	2007	0.383000	10.334000	0.153000	3.445000	0.995000	0.400000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Description: The state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration fees. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.). There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, as well as special fees for senior citizen transportation, veteran services, the highway patrol pension fund, motorcycle safety, and an optional \$4 registration fee on light vehicles for state parks and fishing access sites.

Effective January 1, 2004, all fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner. New license plate fees will increase from \$2 to \$5. The registration fees on campers and pontoons and rubber rafts are eliminated.

Beginning January 1, 2005, the registration fees on all light vehicles will be increased, as well permanent fees on recreational trailers, off-highway vehicles, snowmobiles, recreational vehicles, and motorcycles.

Applicable Tax Rate(s): Various

Distribution: Most motor vehicle fees are allocated to the general fund. The following fees are distributed to the Motor Vehicle Information Technology Systems state special revenue account: 1) \$4 of the \$8 recording lien fee (including boats, snowmobiles, and off highway vehicles); 2) \$5.00 of the \$10.00 certificate of ownership fees for watercraft, snowmobiles, off-highway vehicles and all other vehicles; 3) \$5.00 of the \$10.00 duplicate certificate of ownership fee; and 4) all of the \$10.00 fee for the issuance of a new certificate of title following the release of a lien. Other distributions to other state special revenue accounts (and county general fund) are: 1) \$10 of the \$30 donation fee for collegiate license plates to the student academic scholarship fund or foundation of the named institution; 2) the annual donation fee of \$20 for motorcycle or quadricycles specialty license plates for grants to chronically or critically ill children; 3) \$5 of the \$15 administrative fee for generic specialty license plates to the county general fund; and 4) all of the \$15 surcharge for sponsoring a generic patriotic license plate for the construction, maintenance, operation, and administration of state veterans' cemeteries. The new optional \$4 fee for parks will be deposited in a state special account until July 1, 2005 after which it will be deposited in the general fund and transferred to the state special account.

Collection Frequency: The various fees are generally collected on a monthly basis.

Major Drivers:

- Number of vehicles
- Ownership turnover of vehicles
- Rate of new vehicle purchases
- Fee rates

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - Vehicle costs and costs of operation and maintenance
 - Interest rates
 - Price of fuel
- Social Factors
 - Government or industry announcements
 - Demand for substitutes

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Federal legislative impacts
 - Vehicle regulation changes

Data Source(s): SABHRS, Department of Justice

Contacts: Department of Justice

Statutory Reference:

Tax Fee rate – multiple, but generally in title 61, chapter 3.

Tax Distribution (MCA) – all fees in Title 61 are distributed to the general fund unless stated otherwise (61-3-108)

% of Total FY 2004 General Fund Revenue: 2.22%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

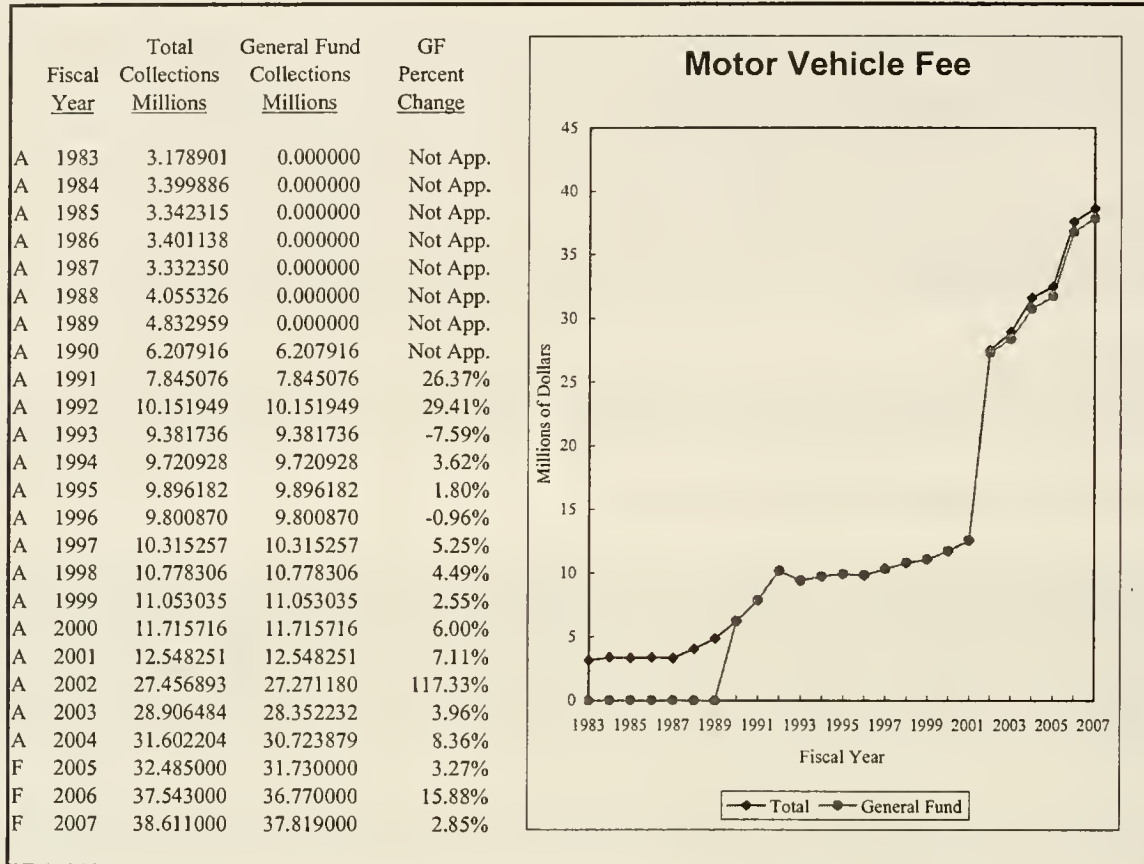
Total motor vehicle fee revenue is calculated by taking the sum of the estimates for all vehicle fee types. The fee types are: registration fees, recorded liens, titles, personal plate fees, new plate fees, computer fees and the \$0.25 senior citizen transportation fee. Each fee type is estimated individually and is derived by applying a growth rate to a base year. Motor vehicle fees are the sum of these estimates plus changes due to legislation or other adjustments.

Legislative Fiscal Division

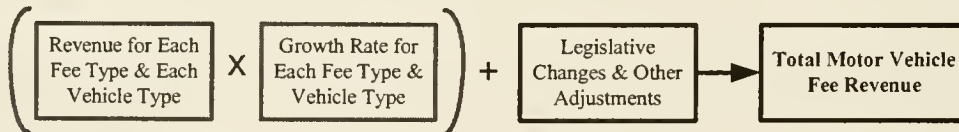
Revenue Estimate Profile

Motor Vehicle Fee

Revenue Projection:



Forecast Methodology



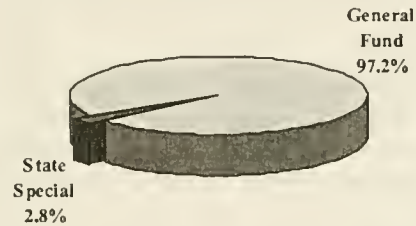
Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Distribution Methodology

Based on Actual Fiscal 2004



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Registration</u>	<u>Record</u>	<u>Titles</u>	<u>Personal</u>	<u>Parks</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	11.715716	11.715716	6.233271	0.629295	1.292338	0.727670	
Actual	2001	12.548251	12.548251	6.367734	0.635889	1.290092	0.712995	
Actual	2002	27.456893	27.271180	21.180491	0.727958	2.352977	1.269593	
Actual	2003	28.906484	28.352232	21.712218	0.696408	2.441699	1.353633	
Actual	2004	31.602204	30.723879	22.576638	0.737269	2.660438	1.492359	
Forecast	2005	32.485000	31.730000	22.010978	0.754963	2.724289	1.528176	
Forecast	2006	37.543000	36.770000	22.539241	0.773082	2.789672	1.564852	2.743892
Forecast	2007	38.611000	37.819000	23.080183	0.791636	2.856624	1.602408	2.809745

	<u>t</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>Non GF Fee</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>New Plate</u>	<u>Computer</u>	<u>\$.25</u>	<u>Other</u>	<u>Transit</u>	<u>Lien</u>	<u>Millions</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	
Actual	2000	0.856821	1.304458	0.299821	0.372042			
Actual	2001	1.536103	1.335946	0.304236	0.365256			
Actual	2002	0.524575	-0.001199	0.024150	1.083974	0.108661	0.185713	
Actual	2003	0.491723	0.000000	0.000000	1.221468	0.435083	0.554252	
Actual	2004	0.909985	0.000000	0.000000	1.953075	0.394115	0.878325	
Forecast	2005	1.331178	0.000000	0.000000	2.170518	0.403574	0.754963	0.806000
Forecast	2006	4.934707	0.000000	0.000000	2.222610	0.413260	0.773082	-1.212000
Forecast	2007	2.447405	0.000000	0.000000	2.275953	0.423178	0.791636	1.532000

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

		GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee
	t	Registration	Record	Titles	Personal	New Plate	Other
	Fiscal	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	3.2150%	-0.0519%	2.1117%	4.8659%	84.1881%	-8.5040%
Actual	2001	2.1572%	1.0478%	-0.1738%	-2.0167%	79.2793%	-1.8240%
Actual	2002	232.6221%	14.4788%	82.3883%	78.0648%	-65.8503%	196.7710%
Actual	2003	2.5105%	-4.3340%	3.7706%	6.6194%	-6.2626%	12.6843%
Actual	2004	3.9813%	5.8674%	8.9585%	10.2484%	85.0605%	59.8957%
Forecast	2005	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2006	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2007	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%

		GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	Non GF Fee
	t	New Plate	Computer	\$0.25	Other	Transit	Lien
	Fiscal	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	84.1881%	2.8335%	5.4012%	-8.5040%		
Actual	2001	79.2793%	2.4139%	1.4725%	-1.8240%		
Actual	2002	-65.8503%	-100.0897%	-92.0621%	196.7710%		
Actual	2003	-6.2626%	-100.0000%	-100.0000%	12.6843%	300.4040%	-4.3340%
Actual	2004	85.0605%			59.8957%	-9.4161%	5.8674%
Forecast	2005	46.2857%			11.1334%	2.4000%	2.4000%
Forecast	2006	2.4000%			2.4000%	2.4000%	2.4000%
Forecast	2007	2.4000%			2.4000%	2.4000%	2.4000%

Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors Tax

Revenue Description: Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

Applicable Tax Rate(s): A 1.0 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, a credit (in the form of a refund) against the license fee is allowed for personal property taxes and certain motor vehicle fees paid in Montana on personal property or vehicles used in the business of the contractor. In addition, the amount of the net license fee paid (gross less the property tax refund) may be used as a credit on the contractor's corporate or individual tax return. Overpayments are also refunded.

Distribution: All public contractor tax revenue is deposited into the general fund.

Collection Frequency: Monthly

Major Drivers:

Value of public contracts

- Total receipts (contracts) of public contractors
- Tax rate
- Tax credits and refunds

Potential Factors Influencing Change:

- Economic Factors
 - Changes in construction costs, construction inflation
 - Amount of state building programs
- Social Factors
 - Need / demand for public infrastructure
- Legislative Factors
 - State legislative impacts
 - Changes in tax
 - Infrastructure expenditures
 - Staffing adequacy, DOR FTE
 - Changes in credits and refunds
 - Federal legislative impacts
 - Highway construction funding
 - State compliance with federal law

Data Source(s): SABHRS, Department of Revenue, Department of Transportation

Contacts: Department of Revenue, Department of Transportation

Statutory Reference:

Tax Rate (MCA) – 15-50-205

Tax Distribution MCA) – 15-50-311

Date Due – within 30 days after payment to the contractor (15-50-309)

Legislative Fiscal Division

Revenue Estimate Profile

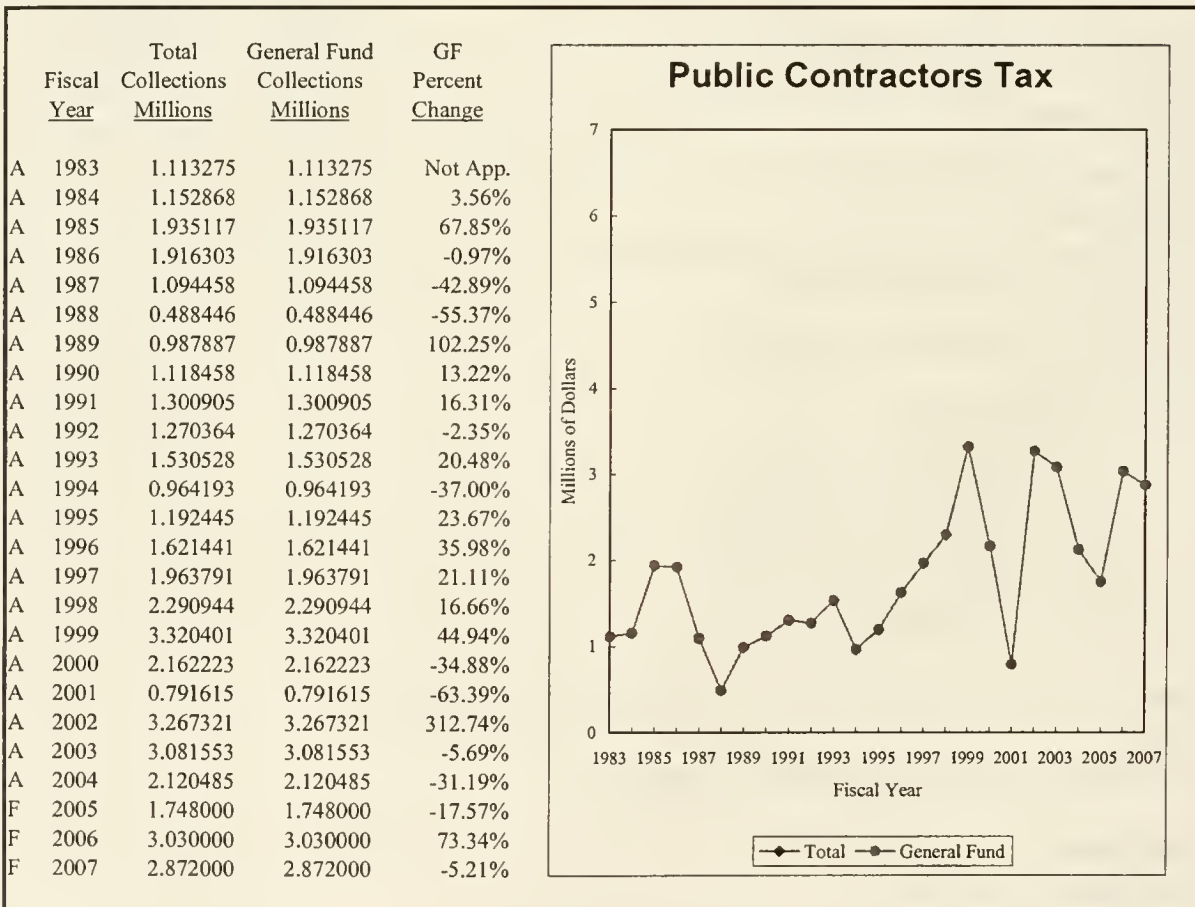
Public Contractors Tax

% of Total FY 2004 General Fund Revenue: 0.15%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD evaluates two contract components to determine the public contractor gross receipt tax. The biggest portion of public contracts is administered through the Department of Transportation's (DOT) road building and maintenance program. As a result, the LFD uses the DOT estimate of future road construction and maintenance payments, along with other information provided by the department. The second component is a value derived by reducing the total taxable public contracts by the DOT total of contracts paid out in prior years to which is applied a growth rate to determine the value of future contracts. All contracts are summed and the tax rate is applied. Gross tax revenue is reduced by estimates of contractor credits available through the corporation, individual, and property taxes and estimates of prior year over-payments to obtain public contractor tax revenue.

Revenue Projection:

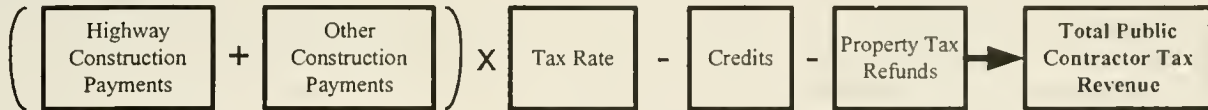


Legislative Fiscal Division

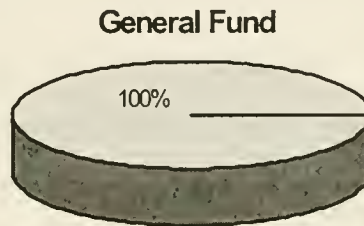
Revenue Estimate Profile

Public Contractors Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Gross Tax</u> <u>Millions</u>	<u>Credits</u> <u>& Refunds</u> <u>Millions</u>	<u>Tax</u> <u>Rate</u>	<u>DOT</u> <u>Millions</u>	<u>Other</u> <u>Millions</u>
Actual	2000	2.162223	2.162223	5.516069	3.444985	0.010000	234.875465	316.731435
Actual	2001	0.791615	0.791615	4.502749	3.711134	0.010000	200.507963	249.766937
Actual	2002	3.267321	3.267321	5.054973	1.787652	0.010000	217.749022	287.748278
Actual	2003	3.081553	3.081553	5.706437	2.624884	0.010000	226.113524	344.530176
Actual	2004	2.120485	2.120485	6.004105	3.883620	0.010000	241.630131	358.780369
Forecast	2005	1.748000	1.748000	6.399198	4.651065	0.010000	281.139440	358.780369
Forecast	2006	3.030000	3.030000	6.327495	3.297714	0.010000	273.969092	358.780369
Forecast	2007	2.872000	2.872000	6.238629	3.367029	0.010000	265.082521	358.780369

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Description: All railroad property is subject to taxation as defined in the federal Railroad Revitalization and Regulatory Reform Act of 1976. The Railroad car tax applies to the rolling stock owned by railroad companies. The railroad car tax rate the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Applicable Tax Rate(s): The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by the statewide average mill levy for commercial and industrial property. The most current tax year rates are:

- 2003 – 4.02%
- 2004 – 3.88%
- 2005 – 3.81%
- 2006 – 3.70%
- 2007 – 3.60%

Distribution: All revenue from this tax is deposited into the general fund.

Collection Frequency: Semi-annually

Major Drivers:

- Railroad car miles in the nation and in Montana
- Amount of time railroad cars are in state
- Tax rate
- Average statewide mill levy for commercial and industrial property

Potential Factors Influencing Change:

- Economic Factors
 - Growth in GSP
 - Amount of goods exported by rail
 - Economic stability of rail industry
- Social Factors
 - Industry announcements
 - Demand for substitutes, trucking
- Legislative Factors
 - State legislative impacts
 - Changes in property tax rates
 - Federal legislative impacts
 - Changes rail laws

Data Source(s): SABHRS, Department of Revenue

Contacts: Railroad Car Companies, Department of Revenue

Statutory Reference:

Tax Rate (MCA) - 15-23-214(1)

Tax Distribution (MCA) – 15-23-215

Date Due – Report due to the Department of Revenue April 15th of each year for the previous calendar year (15-23-103(2), 15-

Revenue Estimates as adopted by the

Revenue and Transportation Interim Committee

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

23-212). The department calculates the tax due by the third Monday in October (15-23-214(1)). One-half of the tax is due by November 30th and one-half is due by May 31st (15-23-214(3), 15-16-102(1)).

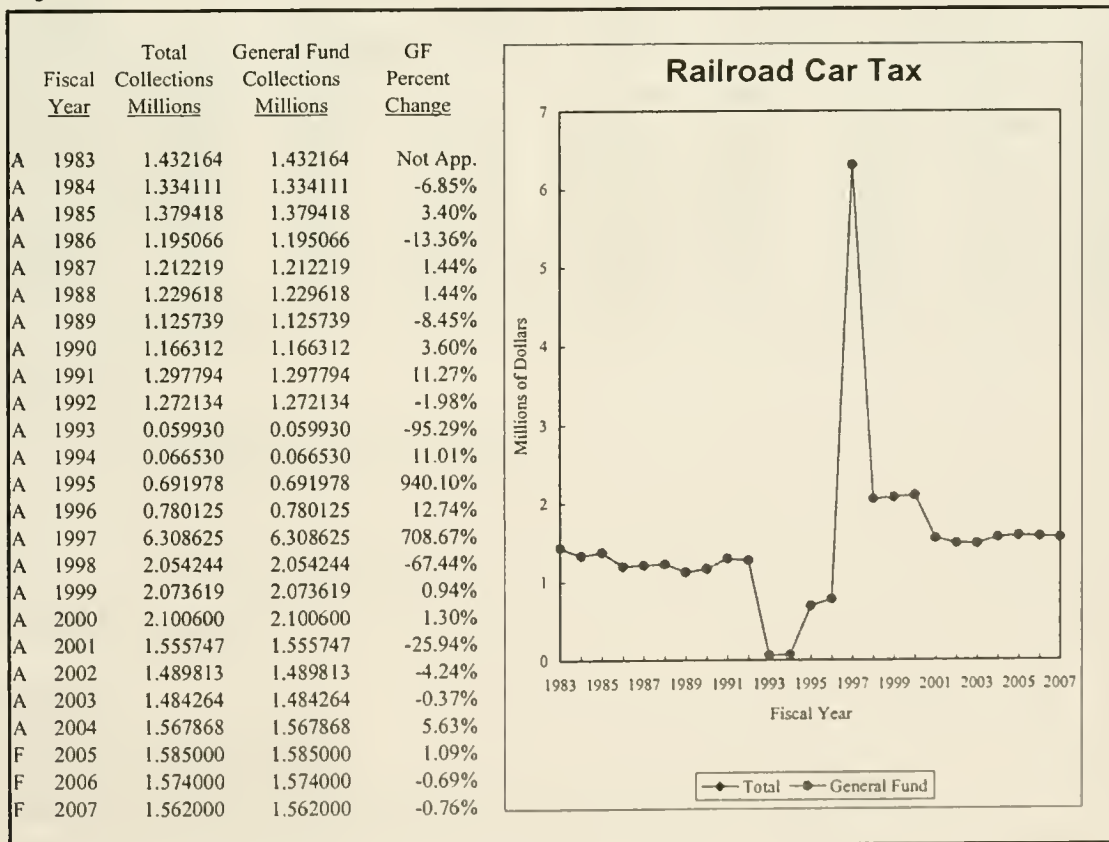
% of Total FY 2004 General Fund Revenue: 0.11%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Total railcar tax revenues are the result of multiplying total company market value for its U.S. fleet by a Montana allocation percentage times a statewide tax rate times a statewide mill levy. The allocation percentage is based on the ratio of car miles traveled in the state to total system miles, as well as on speed of the cars through Montana. The Montana railcar market value, the result of multiplying the system value times the Montana allocation factor, is multiplied by the class 12 tax rate applicable to railroads and airlines, which is the average statewide tax rate on all commercial and industrial property.

Montana's railcar tax is based on the value of the national railcar fleet. The LFD first estimates the growth in the national fleet. A value is then determined for the fleet as a whole. Next, the fleet is apportioned to Montana to determine the market value of the state's fleet. Finally, the class 12 property tax rate and average mill levy rate are applied to the state value to determine the total railcar tax revenue.

Revenue Projection:

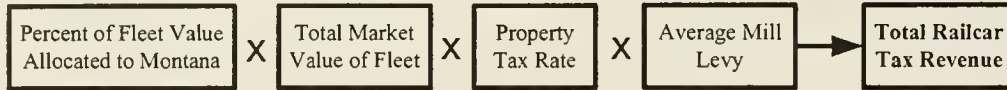


Legislative Fiscal Division

Revenue Estimate Profile

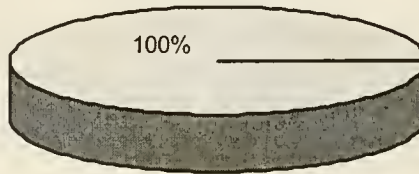
Railroad Car Tax

Forecast Methodology



Distribution Methodology

General Fund



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Total MV (CY)	Allocation	MT MV (CY)	Tax	Mills
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>of Fleet</u> <u>Millions</u>	<u>Percent</u>	<u>of Fleet</u> <u>Millions</u>	<u>Rate</u>	<u>95/100 %</u>
Actual	2000	2.100600	2.100600	17582.615541	0.005439	95.626964	0.060800	0.363540
Actual	2001	1.555747	1.555747	19335.425780	0.005021	97.074849	0.042700	0.380060
Actual	2002	1.489813	1.489813	20065.083606	0.004468	89.657366	0.042100	0.400980
Actual	2003	1.484264	1.484264	19527.799607	0.004791	93.549116	0.040200	0.419254
Actual	2004	1.567868	1.567868	19231.928074	0.004369	84.019893	0.038800	0.474429
Forecast	2005	1.585000	1.585000	18767.654717	0.004404	82.645156	0.038100	0.503390
Forecast	2006	1.574000	1.574000	18767.654717	0.004414	82.840428	0.037000	0.513458
Forecast	2007	1.562000	1.562000	18767.654717	0.004414	82.840428	0.036000	0.523727

Legislative Fiscal Division

Revenue Estimate Profile

Rental Car Sales Tax

Revenue Description: Beginning July 1, 2003, a new four percent sales tax is imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. A rental vehicle is one that is used by a person other than the owner by arrangement and for consideration. Included are light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed \$1,000 a quarter.

Applicable Tax Rate(s): A four percent sales tax is imposed on the base rental charge for rental vehicles.

Distribution: All revenue from this tax is deposited into the general fund.

Collection Frequency: The vendor must pay the tax due by the last day of the month following a calendar quarter.

Major Drivers:

- Number of vehicles rented
- Tax rate
- Rental price

Potential Factors Influencing Change:

- Economic Factors
 - Expected tourism
 - Airline passenger rates
 - Gasoline price
 - Personal income change
- Social Factors
 - Terrorist threats
 - Wild fire occurrences
 - Statewide events
- Legislative Factors
 - State legislative impacts
 - Changes in rental fees and tax rates
 - Federal legislative impacts

Data Source(s): SABHRS, Department of Revenue

Contacts: Rental Car Companies

Statutory Reference:

Tax Rate (MCA) - 15-68-102(1b)

Tax Distribution MCA) - 15-68-820

Date Due - before the last day of the month following the calendar quarter (15-68-502(1))

Legislative Fiscal Division

Revenue Estimate Profile

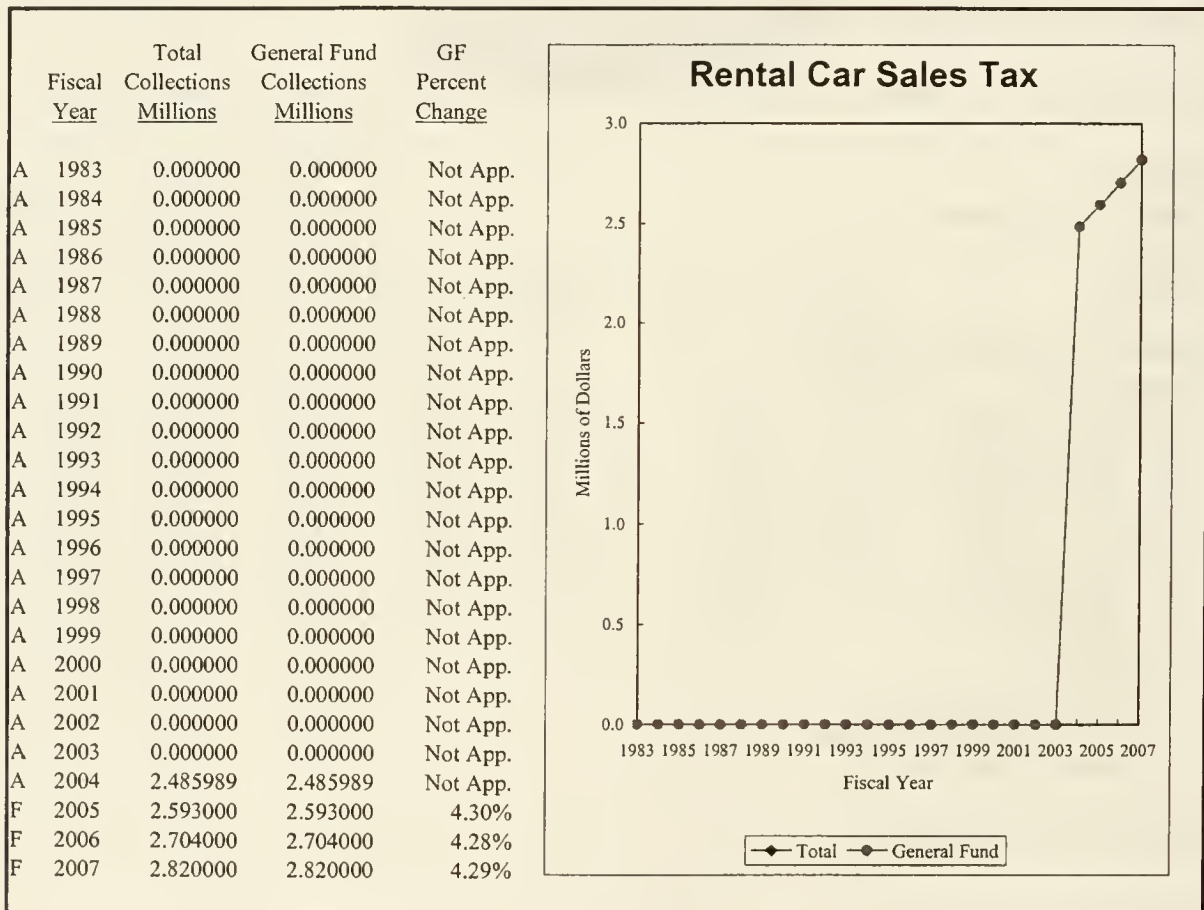
Rental Car Sales Tax

% of Total FY 2004 General Fund Revenue: 0.18%

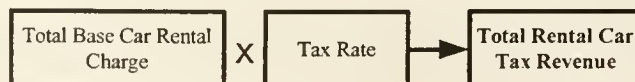
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Because the rental car sales tax is a new tax source, data for growth in the rental car industry is limited. To calculate near term growth, a proxy of tourism expenditures is used. The growth rate is then applied to the last year of actual data. As the tax is imposed in future years, historic growth rates will become available, which will enable the LFD to develop a growth rate of actual vehicle rentals.

Revenue Projection:



Forecast Methodology



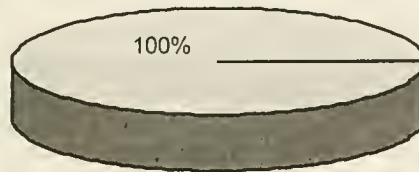
Legislative Fiscal Division

Revenue Estimate Profile

Rental Car Sales Tax

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Taxable</u>	<u>Tax</u>	<u>Credits</u>	<u>Audits</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	2.485989	2.485989	62.149725	0.040000	0.000000	0.000000
Forecast	2005	2.593000	2.593000	64.822163	0.040000	0.000000	0.000000
Forecast	2006	2.704000	2.704000	67.609516	0.040000	0.000000	0.000000
Forecast	2007	2.820000	2.820000	70.516725	0.040000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Description: The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

Applicable Tax Rate(s): The current tax rate of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from the provision of internet services are also exempt. Credits previously allowed for costs of advanced telecommunications infrastructure improvements were repealed in House Bill 96 by the 2003 legislature.

Distribution: After retaining an allowance for refunds, all proceeds are deposited into the general fund.

Collection Frequency: Quarterly

Major Drivers:

- Telecommunication companies' taxable income
- Tax rate
- Audits

Potential Factors Influencing Change:

- Economic Factors
 - Population change
 - Number of telecommunication companies
 - Number of phone lines available in Montana
 - Number of micro wave dishes in Montana
- Social Factors
 - Government or industry announcements
- Legislative Factors
 - State legislative impacts
 - Change prices and tax
 - Federal legislative impacts
 - Change in telecommunication laws

Data Source(s): SABHRS, Department of Revenue

Contacts: Major Telecommunications Companies

Statutory Reference:

Tax Rate (MCA) – 15-53-130

Tax Distribution (MCA) – 15-53-156

Date Due – 60 days after the end of the calendar quarter (15-53-139)

% of Total FY 2004 General Fund Revenue: 1.51%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to

Legislative Fiscal Division

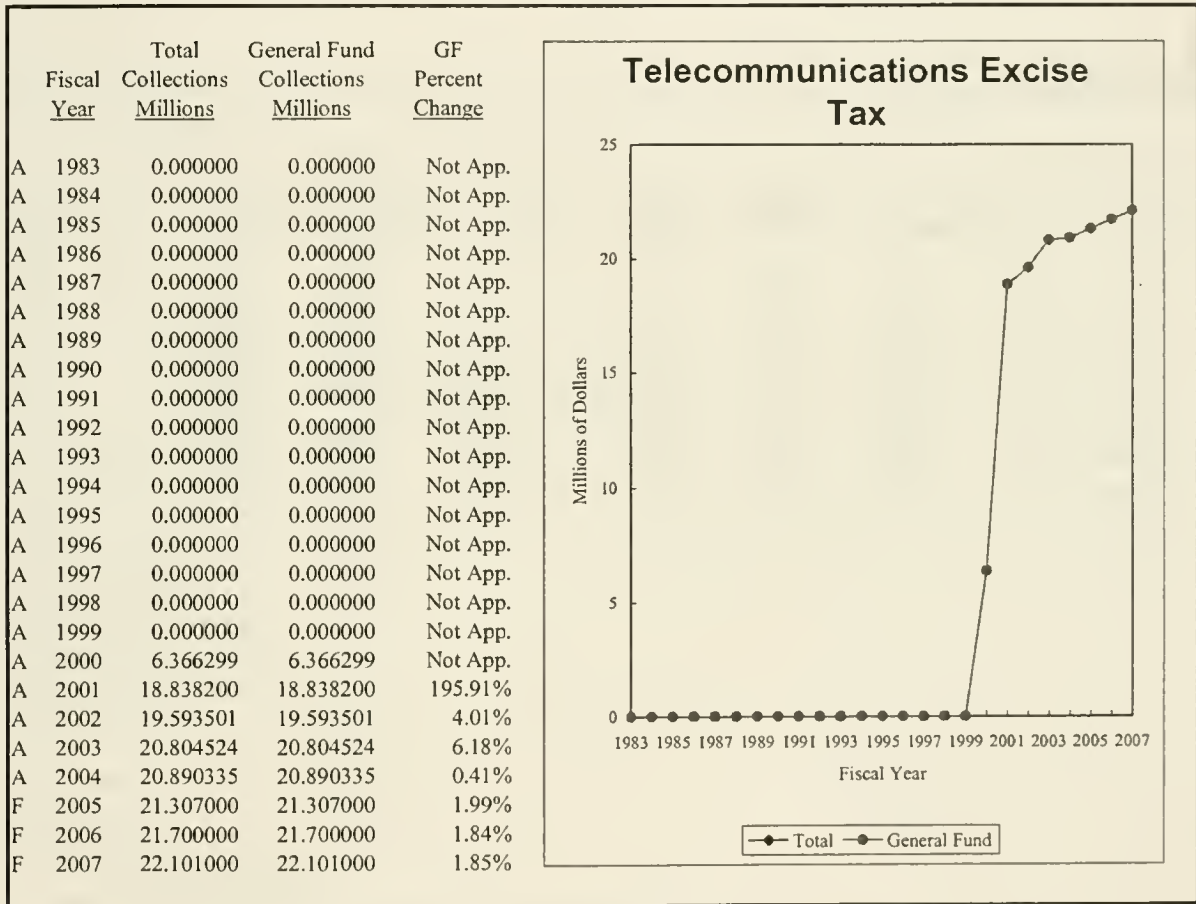
Revenue Estimate Profile

Telecommunications Excise Tax

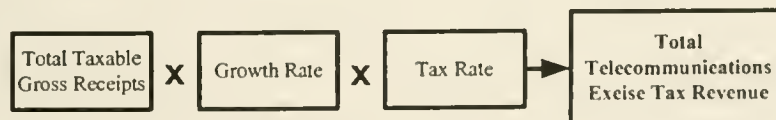
biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD estimates the telecommunications excise tax by first applying a growth rate to the prior year's collections to establish estimated future year gross receipts then applying the tax rate to the estimated gross receipts.

Revenue Projection:



Forecast Methodology



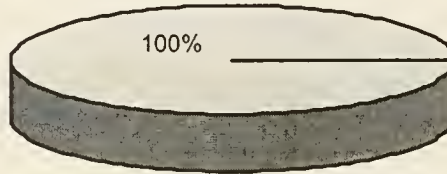
Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Taxable</u> <u>Millions</u>	<u>Tax</u> <u>Rate</u>	<u>Credits</u> <u>Millions</u>	<u>Audits</u> <u>Millions</u>
Actual	2000	6.366299	6.366299	182.127040	0.037500	0.000000	0.000000
Actual	2001	18.838200	18.838200	465.259867	0.037500	0.429045	1.820000
Actual	2002	19.593501	19.593501	512.754187	0.037500	0.252198	0.617417
Actual	2003	20.804524	20.804524	540.397200	0.037500	0.004069	0.543698
Actual	2004	20.890335	20.890335	544.549744	0.037500	0.052757	0.837881
Forecast	2005	21.307000	21.307000	554.841734	0.037500	0.000000	0.500000
Forecast	2006	21.700000	21.700000	565.328243	0.037500	0.000000	0.500000
Forecast	2007	22.101000	22.101000	576.012947	0.037500	0.000000	0.500000

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Description: Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, motorhomes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

Before January 1, 2001 light vehicles were taxed on an ad valorem basis. As a result of Referendum (LR) 115 (HB540), passed by the electorate in November 2000, light vehicles pay a fee-in-lieu of tax (FILT). The fee is \$195 for light vehicles of age between zero and four years, \$65 for vehicles between five and ten years of age, and \$6 for vehicles over ten years old. Owners of vehicles greater than ten years old may pay \$50 for a permanent registration.

Effective January 1, 2004, the fees-in-lieu-of-tax on motorcycles and quadricycles, trailers and travel trailers, snowmobiles, watercraft, off-highway vehicles are one-time payments, except upon change of ownership. These one-time fees in calendar 2004 will double in calendar 2005 and beyond.

Effective January 1, 2003, the fee schedule on heavy trucks was reduced by 1/6th for calendar 2003, by 1/3rd for calendar 2004 and by 1/2 for calendar 2005. These changes were enacted by HB 247 in the 2003 legislative session. The fee schedule for truck varies by age and weight capacity.

Applicable Tax Rate(s): Varies

Distribution: All fees-in-lieu-of-tax are deposited in the general fund.

Collection Frequency: Monthly

Major Drivers:

- Number of vehicles
- Ages structure of vehicles
- Weight and size of vehicles
- Ownership turnover of permanently registered vehicles
- Rate of new purchases of vehicles

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - Vehicle costs and costs of operation and maintenance
- Social Factors
 - Government or industry announcements
 - Demand of substitutes
- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Federal legislative impacts
 - Vehicle regulations and requirement

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Data Source(s): Department of Justice, SABHRS

Contacts: Department of Justice

Statutory Reference :

Tax Rate (MCA) – watercraft one-time (23-2-516), snowmobiles one-time (23-2-626), OHV one-time (23-2-803), motor homes (61-3-522), travel trailers one-time (61-3-523), motorcycles and quadricycles one-time (61-3-527), vehicles greater than 1 ton (61-3-529), trailers one-time (61-3-530), light vehicles (61-3-561)

Tax Distribution (MCA) – watercraft (23-2-518), snowmobiles (23-2-619(7)), OHV (23-2-803), light vehicles (61-3-509), motorcycles and quadricycles (61-3-509), motor homes (61-3-509), vehicles greater than 1 ton (61-3-509)

Date Due – County treasurers to remitted the revenue to the Department of Revenue every 30 days (61-3-509).

% of Total FY 2004 General Fund Revenue: 6.05%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

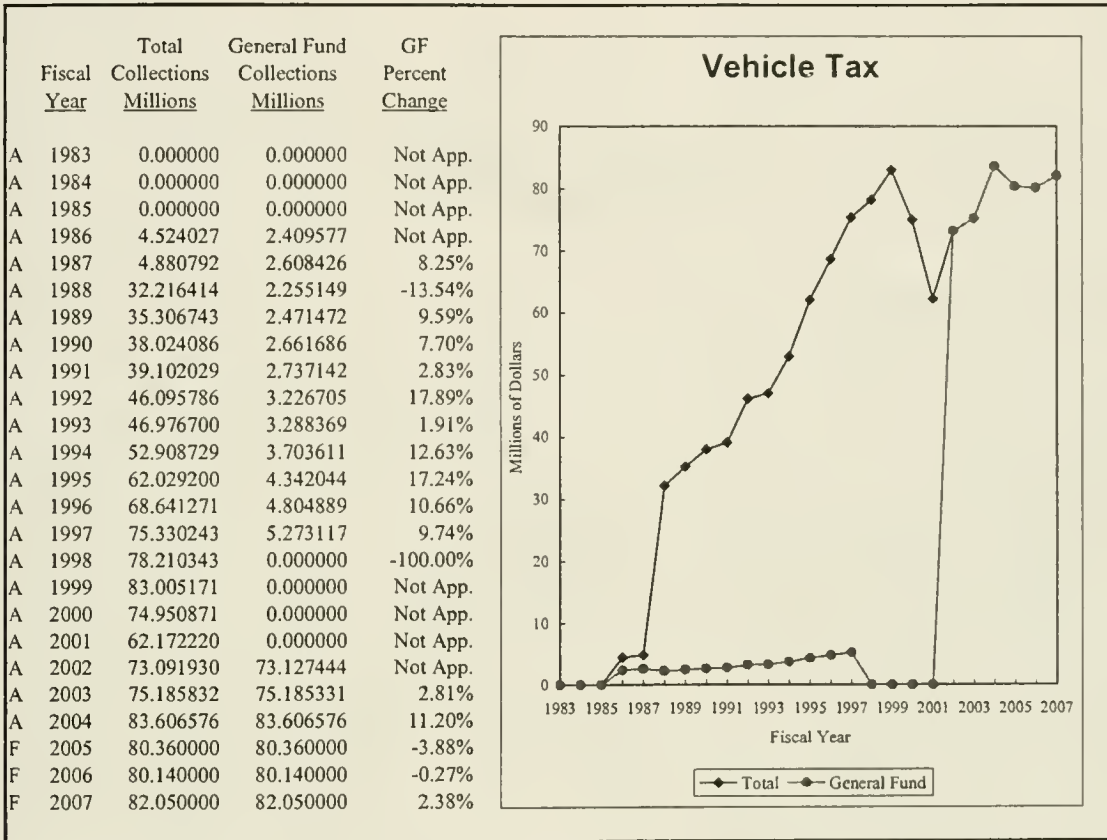
The revenue from all vehicles depends on the growth in the number of vehicles. In turn, the number of vehicles in Montana is expected to grow at the same rate as the forecasted growth in the nationwide stock of all vehicles. The percentage growth is applied to the base year revenue derived from vehicles to determine the estimate of vehicle tax revenues to which is added legislation or other adjustments.

Legislative Fiscal Division

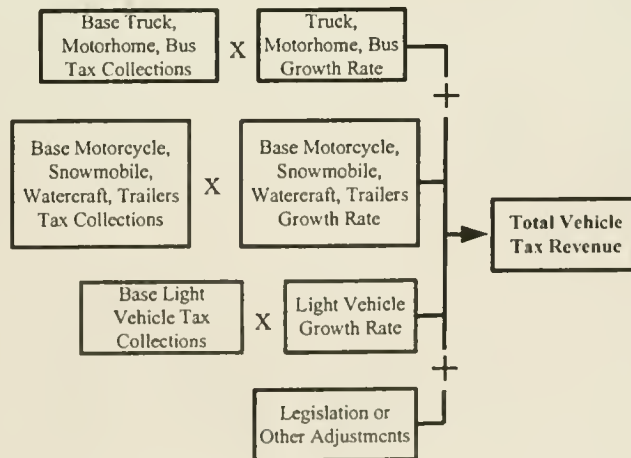
Revenue Estimate Profile

Vehicle Tax

Revenue Projection:



Forecast Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Non-GF Tax</u>	<u>Legislation</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000				
Actual	2001				
Actual	2002	73.091930	73.127444	-0.035514	
Actual	2003	75.185832	75.185331	0.000501	
Actual	2004	83.606576	83.606576	0.000000	
Forecast	2005	80.360000	80.360000	0.000000	1.522901
Forecast	2006	80.140000	80.140000	0.000000	-0.589622
Forecast	2007	82.050000	82.050000	0.000000	-0.617298

	<u>t</u>	<u>Large</u>	<u>Motor</u>	<u>Light</u>	<u>Boats/</u>	<u>MCO</u>	<u>District</u>
	<u>Fiscal</u>	<u>Truck</u>	<u>Home</u>	<u>Vehicle</u>	<u>Snow</u>	<u>Registration</u>	<u>Courts</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002	5.383664	3.607418	54.602101	2.075694	7.458568	-0.035514
Actual	2003	5.116869	3.342342	56.961345	2.195942	7.568832	0.000000
Actual	2004	8.562457	4.484770	58.457160	3.980061	8.122128	0.000000
Forecast	2005	5.365426	3.504700	59.728299	2.302612	7.936496	0.000000
Forecast	2006	5.494196	3.588813	61.161778	2.357875	8.126972	0.000000
Forecast	2007	5.626057	3.674945	62.629661	2.414464	8.322019	0.000000

	<u>t</u>	<u>Large</u>	<u>Motor</u>	<u>Light</u>	<u>Boats/</u>	<u>MCO</u>
	<u>Fiscal</u>	<u>Truck</u>	<u>Home</u>	<u>Vehicle</u>	<u>Snow</u>	<u>Registration</u>
		<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003	0.028648	-0.049556	-0.073481	0.043208	0.057931
Actual	2004	0.111999	0.673378	0.341805	0.026260	0.812462
Forecast	2005	0.024000	0.024000	0.024000	0.024000	0.024000
Forecast	2006	0.024000	0.024000	0.024000	0.024000	0.024000
Forecast	2007	0.024000	0.024000	0.024000	0.024000	0.024000

NATURAL RESOURCE TAXES

Coal Severance Tax
Electrical Energy Tax
Federal Forest Receipts
Metalliferous Mines Tax

Oil & Natural Gas Production Tax
Resource Indemnity Tax
US Mineral Royalty
Wholesale Energy Tax



Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Description: For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax. Also exempt are two million tons of coal produced for feedstock (terminates December 31, 2005).

Applicable Tax Rate(s): 10.0% - on coal with a heating quality < 7,000 BTU
15.0% - on coal with a heating quality > 7,000 BTU

Distribution: (Percentage)	Fiscal	Fiscal	Fiscal	Fiscal
<u>Account Name</u>	<u>1998-1999</u>	<u>2000-2002</u>	<u>2003</u>	<u>2004-2010</u>
Permanent Trust	25.00	0.00	0.00	12.50
Treasure State Endowment	25.00	37.50	37.50	25.00
TSEP Regional Water	0.00	12.50	12.50	12.50
General Fund	25.25	26.79	33.04	27.40
LRBP - Cash Account	12.00	12.00	10.00	12.00
LRBP - Debt Service	1.30	0.00	0.00	0.00
Park Acquisition Trust	1.27	1.27	0.00	1.27
Cultural Trust	0.00	0.63	0.00	0.63
Cultural & Aesthetic Projects	0.87	0.00	0.00	0.00
Water Development	0.95	0.95	0.95	0.95
Other Uses	8.36	8.36	6.01	7.75

"Other Uses" Include:

Local Impact (Coal Board)
Growth Through Agriculture
State Library
Conservation Districts
County Land Planning*

* before FY 2004

Collection Frequency: Quarterly: The coal severance tax is due 30 days after the end of the quarter.

Major Drivers:

- Coal production
- Coal price
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Energy prices
 - Production and shipping costs
 - Type of coal (BTU)
 - Length of company contracts
- Social Factors
 - Total demand for energy
 - Price of energy of substitutes
- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Exemptions
 - Environmental regulation changes
 - Federal legislative impacts
 - Environmental regulation changes

Data Source(s): SABHRS, Department of Revenue Coal Tax Returns

Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Contacts: Coal Companies' Financial Personnel

Statutory Reference:

Tax Rate (MCA) – 15-35-103

Tax Distribution (MCA) – Montana Constitution, Article IX, Section 5; 15-35-108

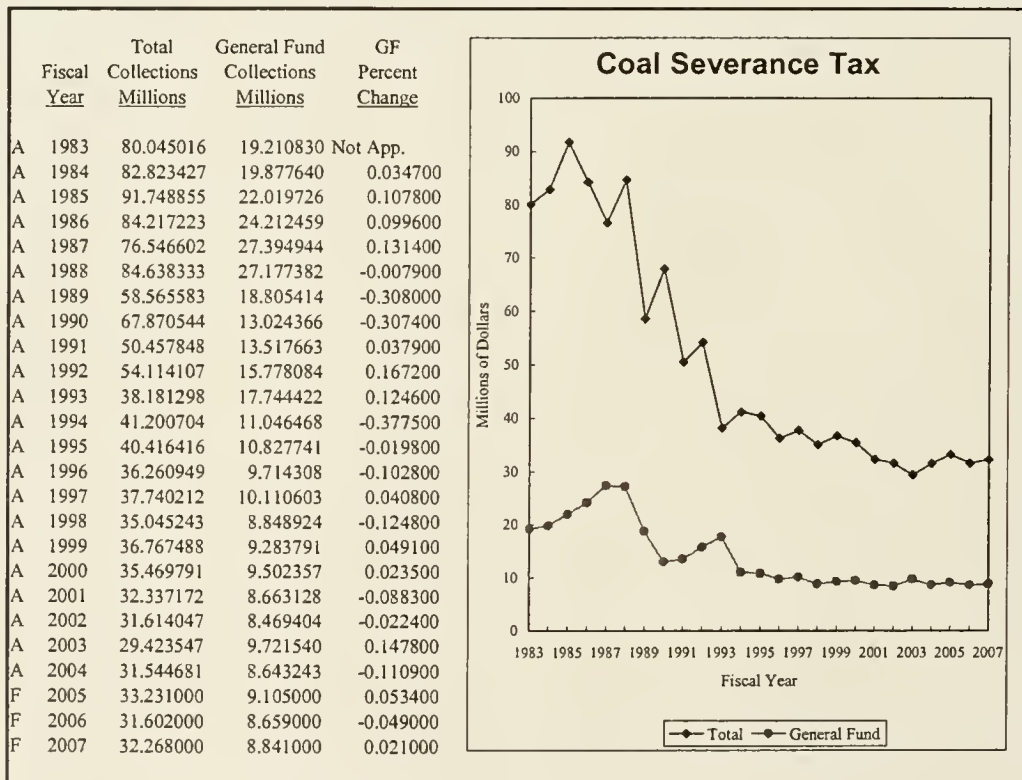
Date Due – the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

% of Total FY 2004 General Fund Revenue: 0.63%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is computed for each company by reducing anticipated production by the annual tonnage deduction and multiplying that number by the contract sales price. Taxable value is multiplied by the applicable tax rate to determine tax revenue. The final step consists of converting total coal severance tax revenue, which is computed by adding the estimated revenue for all coal companies, from a calendar to a fiscal year basis.

Revenue Projection:

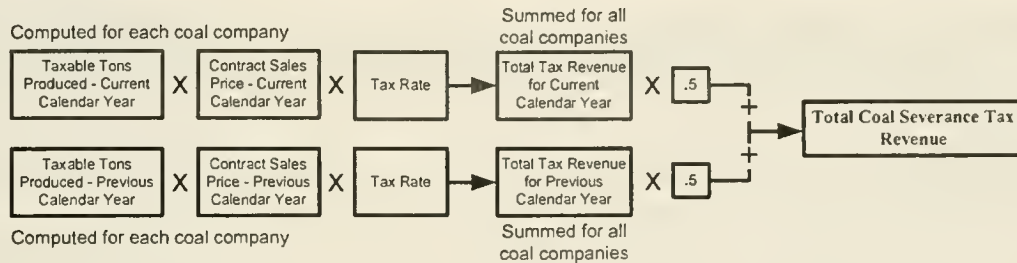


Legislative Fiscal Division

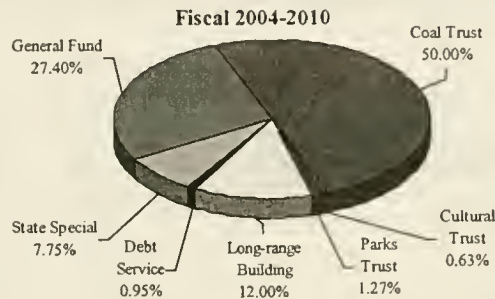
Revenue Estimate Profile

Coal Severance Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Percent</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Allocation</u>
Actual	2000	35.469791	9.502357	0.267900
Actual	2001	32.337172	8.663128	0.267900
Actual	2002	31.614047	8.469404	0.267900
Actual	2003	29.423547	9.721540	0.330400
Actual	2004	31.544681	8.643243	0.274000
Forecast	2005	33.231000	9.105000	0.274000
Forecast	2006	31.602000	8.659000	0.274000
Forecast	2007	32.268000	8.841000	0.274000

	<u>t</u>	<u>Tons (CY)</u>	<u>CSP (CY)</u>	<u>Tax</u>	<u>Tax</u>	<u>Calendar</u>	<u>Effective</u>
	<u>Cal</u>	<u>Millions</u>	<u>Dollars</u>	<u>Rate</u>	<u>Rate</u>	<u>Tax</u>	<u>Rate</u>
Actual	2000	31.784308	6.588243	0.150000	0.100000	31.253448	0.149250
Actual	2001	32.961265	6.266994	0.150000	0.100000	30.883924	0.149510
Actual	2002	31.980880	6.583257	0.150000	0.100000	31.441574	0.149339
Actual	2003	30.802151	6.680719	0.150000	0.100000	30.701209	0.149194
Actual	2004	34.164750	6.759034	0.150000	0.100000	34.487210	0.149347
Forecast	2005	32.369750	6.617034	0.150000	0.100000	31.975630	0.149285
Forecast	2006	31.448250	6.656104	0.150000	0.100000	31.229857	0.149195
Forecast	2007	33.563250	6.649894	0.150000	0.100000	33.307748	0.149234

Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax

Revenue Description: The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

Applicable Tax Rate(s): The tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

Distribution: All proceeds are deposited into the general fund.

Collection Frequency: Quarterly: The electrical energy tax is due 30 days after the end of the quarter.

Major Drivers:

- KWH produced
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Electricity prices
 - Demand for electric energy
 - Generation capacity
 - Transmission capacity
 - Coal and natural gas price
 - Business growth and development
 - Population change
- Social Factors
 - Government or industry announcements
 - Public perception of future energy prices and industrial changes
- Legislative Factors
 - State legislative impacts
 - Utility industry restructuring
 - Federal legislative impacts
 - Utility industry restructuring

Data Source(s): SABHRS, Department of Revenue Electrical Energy Tax Returns

Contacts: Electrical Companies' Financial Personnel

Statutory Reference:

Tax Rate MCA) – 15-51-101

Tax Distribution (MCA) – 15-1-501(1), 15-51-103

Date Due – 30 days after the calendar quarter (15-51-101, 15-51-102)

% of Total FY 2004 General Fund Revenue: 0.34%

Legislative Fiscal Division

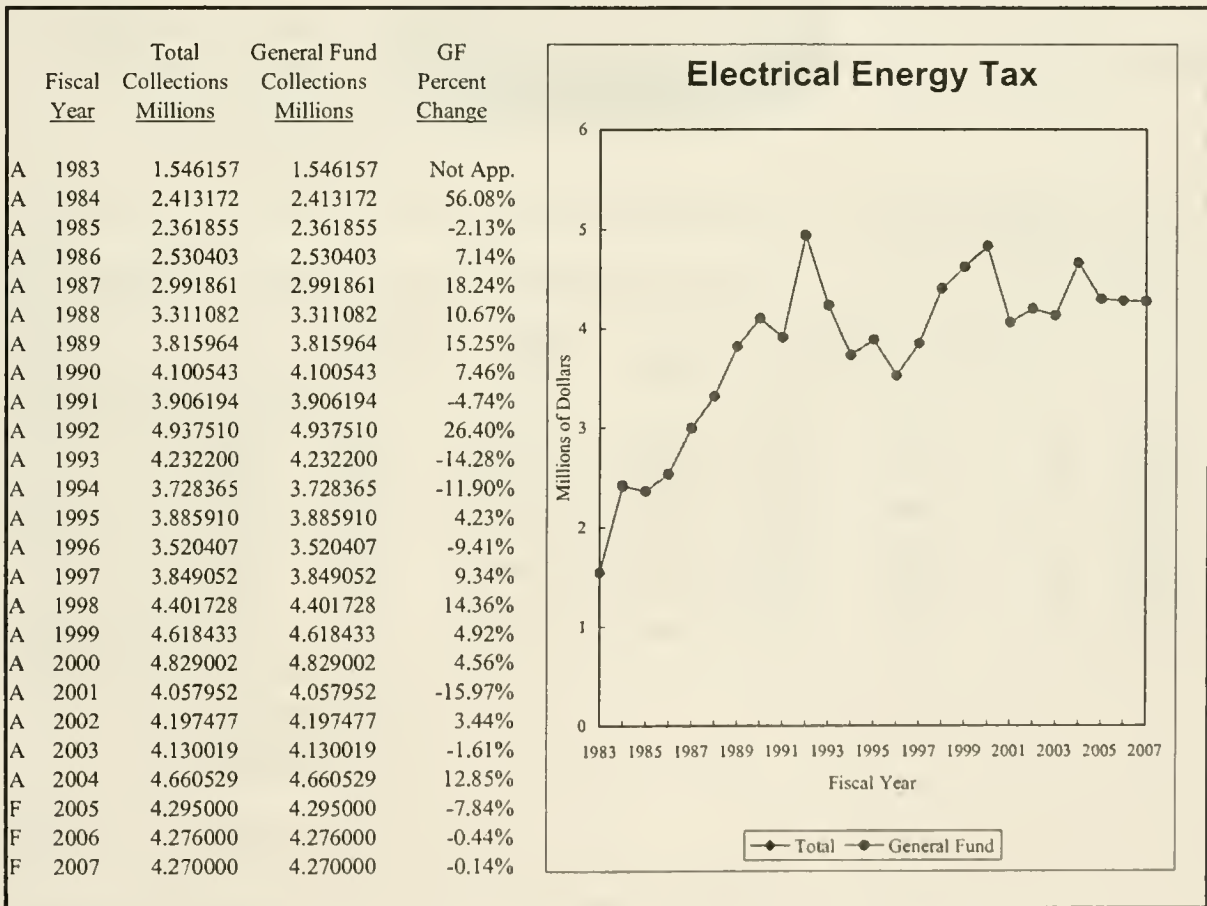
Revenue Estimate Profile

Electrical Energy Tax

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD surveys major companies for anticipated kilowatt hours produced (KWH) less in-plant use as well as the likelihood of new generation capacity. Potential new producers are contacted to determine the capacity and likelihood of entirely new production coming on line. The calendar year KWH projections are converted to a fiscal year basis. The estimated tax revenue is computed by multiplying fiscal year KWH by the tax rate then subtracting the interest differential credit. In recent years no credits have been claimed.

Revenue Projection:

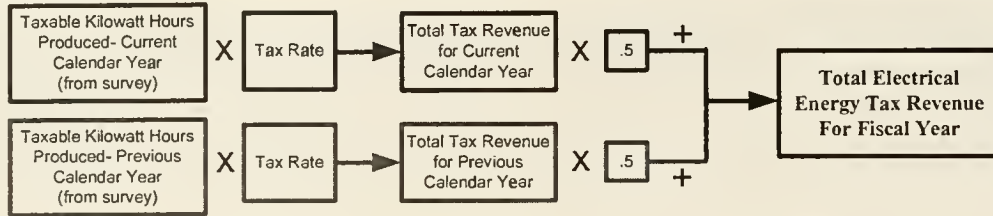


Legislative Fiscal Division

Revenue Estimate Profile

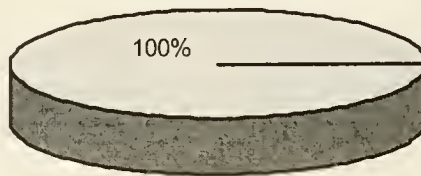
Electrical Energy Tax

Forecast Methodology



Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>KWH CY</u> <u>Millions</u>	<u>KWH FY</u> <u>Millions</u>	<u>Credits</u> <u>Millions</u>	<u>Tax</u> <u>Rate</u>
Actual	2000	4.829002	4.829002	21518.947177	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	21083.324572	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21440.954697	21642.219243	0.000000	0.000200
Actual	2003	4.130019	4.130019	21849.848310	21068.970125	0.000000	0.000200
Actual	2004	4.660529	4.660529	21030.155421	22310.179496	0.000000	0.000200
Forecast	2005	4.295000	4.295000	21916.931000	21473.543211	0.000000	0.000200
Forecast	2006	4.276000	4.276000	20837.419000	21377.175000	0.000000	0.000200
Forecast	2007	4.270000	4.270000	21598.666000	21345.792855	0.000000	0.000200

Legislative Fiscal Division

Revenue Estimate Profile Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state receives 25 percent of the federal forest receipts. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixed the allocation to the state at the average of the highest three years of forest receipts in the state. In subsequent years, the amounts are increased by one-half the rural CPI. No more than 20 percent and no less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner:

- 66 2/3% to the general fund of the county
- 33 1/3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
 - the county equalization accounts (55 mills)
 - the county transportation account
 - the county retirement accounts

This revenue source represents one component used to calculate total non levy property tax revenue.

Collection Frequency: Twice annually (usually October and December).

Major Drivers:

- Fixed allocation to Montana
- Rural inflation rate

Potential Factors Influencing Change:

- Economic Factors
 - Inflation rates
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Distribution changes
 - Federal legislative impacts
 - Distribution changes

Data Source(s): SABHRS, Department of Labor

Contacts: Montana Department of Labor, Montana Association of Counties

Statutory Reference:

Tax Rate - NA

Tax Distribution MCA) – 17-3-211, 17-3-212

Date Due – the state treasurer distributes the funds within 30 days after receiving full payment

Legislative Fiscal Division

Revenue Estimate Profile

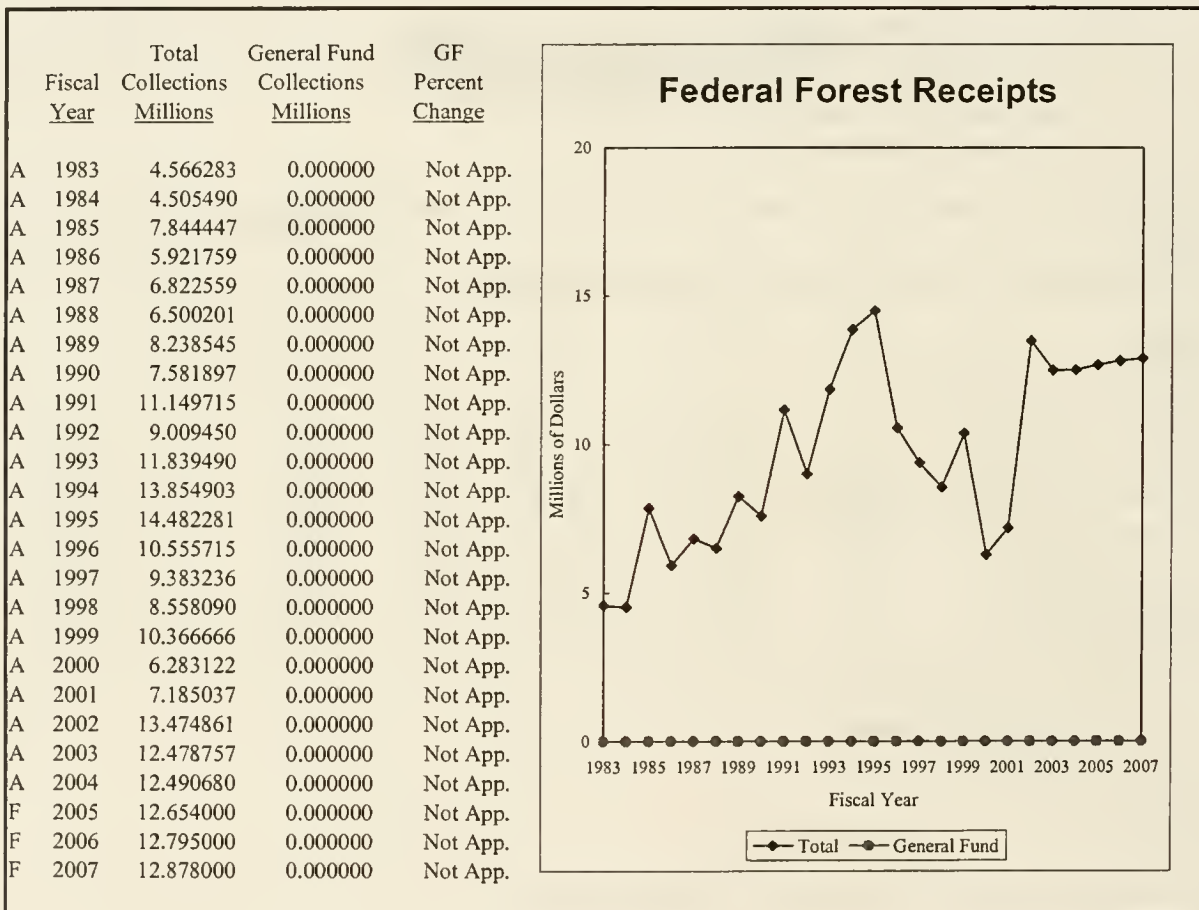
Federal Forest Receipts

% of Total FY 2004 General Fund Revenue: Non levy is included in "Property Tax: 55 mills".

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

With the passage of federal HR 2389 in 2000, the level of forest receipts by the state was fixed at the highest three years of receipts from 1986 through 2000. Beginning in fiscal 2003, the average level of receipts for the prior year will grow at one-half the rate of rural inflation (for cities with less than 50,000 population). The state general fund share is the ratio of 55 mills to the sum of the countywide education accounts in each county in which the timber is harvested and is received by the state as non levy property tax.

Revenue Projection:



Legislative Fiscal Division

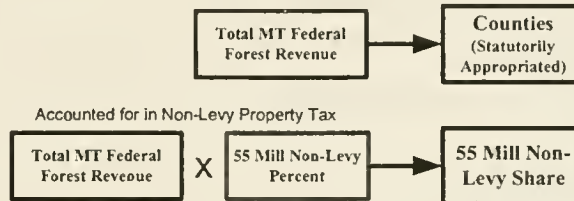
Revenue Estimate Profile

Federal Forest Receipts

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	CPI Percent	50% CPI %
	Fiscal	Millions	Millions	Change	Change
Actual	2000	6.283122	0.000000	3.2993%	
Actual	2001	7.185037	0.000000	2.8455%	
Actual	2002	13.474861	0.000000	1.5810%	
Actual	2003	12.478757	0.000000	2.2790%	0.8000%
Actual	2004	12.490680	0.000000	2.6087%	1.1395%
Forecast	2005	12.654000	0.000000	2.2246%	1.3044%
Forecast	2006	12.795000	0.000000	1.2953%	1.1123%
Forecast	2007	12.878000	0.000000	1.6880%	0.6477%

Legislative Fiscal Division

Revenue Estimate Profile Metalliferous Mines Tax

Revenue Description: The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. Senate Bill 30, enacted in the August 2002 special legislative session, revised the payment of taxes from once to twice a year. In doing so, the exemptions in the following table apply to each 6-month period rather than a full year as it was prior to Senate Bill 30. A company taxed at both rates can claim both exemptions.

Applicable Tax Rate(s): The tax rate for a 6-month period is as follows:

Gross value is defined as monetary amounts or refined metal received for the products less:

1. Basic treatment and refinery charges
2. Transportation costs from the mine to a mill or other processor
3. Quantity and price deductions
4. Interest
5. Penalty metal, impurity and moisture deductions

For concentrates shipped to a smelter, mill, or reduction work:		For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:	
<u>Gross Value</u>	<u>Rate</u>	<u>Gross Value</u>	<u>Rate</u>
\$0-\$250,000	Exempt	\$0-\$250,000	Exempt
\$250,001 and Above	1.81%	\$250,001 and Above	1.6%
		* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals	

Distribution: The distribution of the metal mines tax has been altered several times since the 1990s. The 2001 legislature enacted the most recent change in Senate Bill 484 (effective July 1, 2002) that creates a hard-rock mining reclamation debt service fund to pay debt service on the \$8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5 percent allocation of metalliferous mines tax revenue previously allocated to the orphan share account is now allocated to the hard-rock mining reclamation debt service fund. The table below shows recent historical distributions of the tax revenue.

Distribution of Metalliferous Mines Tax (Percent)					
	<u>Fiscal 1994-1995</u>	<u>Fiscal 1996-1997</u>	<u>Fiscal 1998-2002</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004 & Beyond</u>
General Fund	58.0	58.0	58.0	65.0	58.0
RIT Trust	15.5	0.0	0.0	0.0	0.0
Groundwater Assessment	0.0	2.2	0.0	0.0	0.0
Abandoned Mines	0.0	8.5	0.0	0.0	0.0
Orphan Share	0.0	0.0	8.5	0.0	0.0
Hard Rock Reclamation Debt Service	0.0	0.0	0.0	8.5	8.5
Reclamation & Dev. Grants	0.0	4.8	7.0	0.0	7.0
Hard Rock Mining	1.5	1.5	2.5	2.5	2.5
Counties	<u>25.0</u>	<u>25.0</u>	<u>24.0</u>	<u>24.0</u>	<u>24.0</u>
	100.0	100.0	100.0	100.0	100.0

Collection Frequency: Biannually

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Major Drivers:

- Variations due to changes in production by the various mining companies, including changes in existing production and companies entering and exiting the production process
- Metal prices
- Deductions for refining, treatment, transportation, quantity and price deductions, interest, penalty metal

Potential Factors Influencing Change:

- Economic Factors
 - Prices received for taxed metals
 - Production costs
- Social Factors
 - Demand for metals
 - Law suits
 - Court rulings
- Legislative Factors
 - State legislative impacts
 - Tax related changes
 - Permitting, bonding, and environmental laws and regulations
 - Citizen sponsored initiatives
 - Federal legislative impacts
 - Environmental regulations (i.e. platinum group metals used in vehicular catalytic converters)

Data Source(s): SABHRS, Department of Revenue, *Wall Street Journal*, KITCO, COMEX, NYMEX, company 10K and 10Q reports

Contacts: Major Producers

Statutory Reference:

Tax Rate (MCA) – 15-37-103

Tax Distribution (MCA) – 15-37-117

Date Due – August 15th for period January through June, March 31st for period July through December (15-37-105)

% of Total FY 2004 General Fund Revenue: 0.23%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

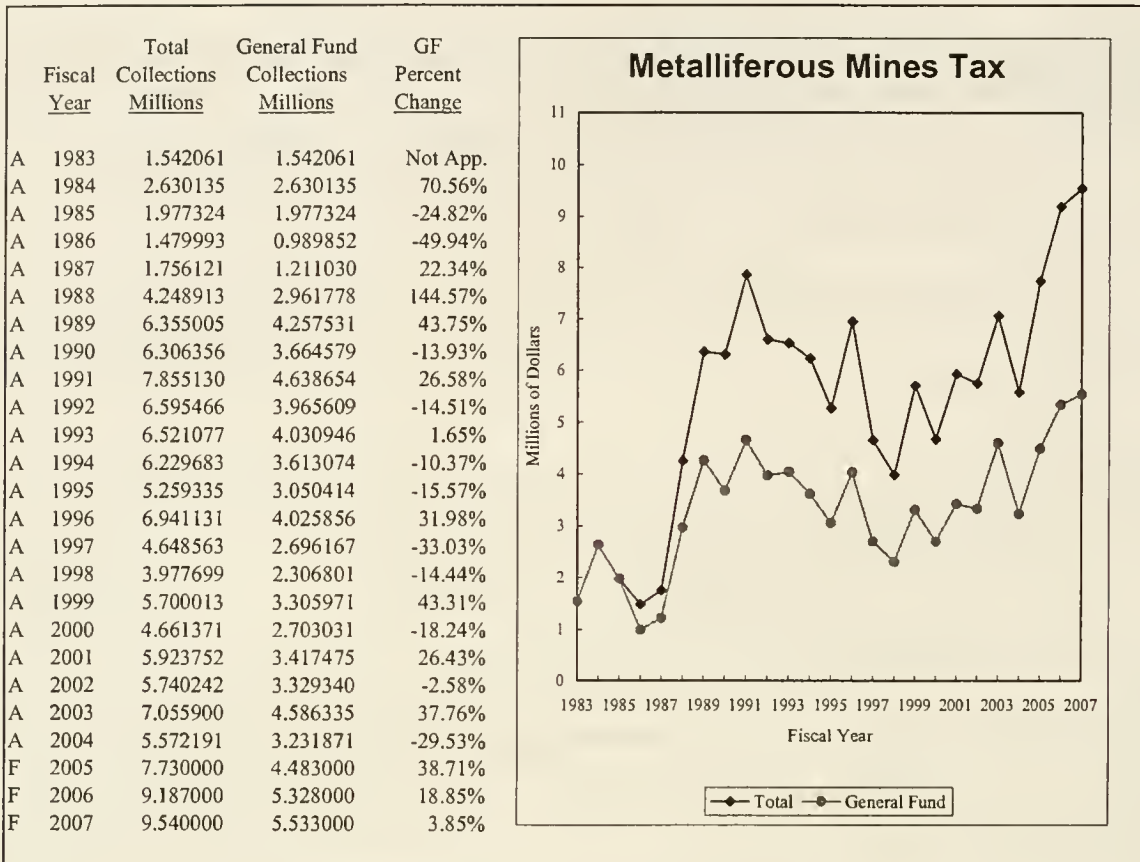
Major producers are surveyed for anticipated production by commodity. In addition, a review is made of historical trends and current publications on price directions. The estimated tax is computed for each commodity by multiplying anticipated production by sales price. This amount is reduced by allowable production costs and exemptions then multiplied by the effective tax rate for each company to determine tax revenue. The next step converts total metalliferous mines tax revenue from a calendar to a fiscal year basis.

Legislative Fiscal Division

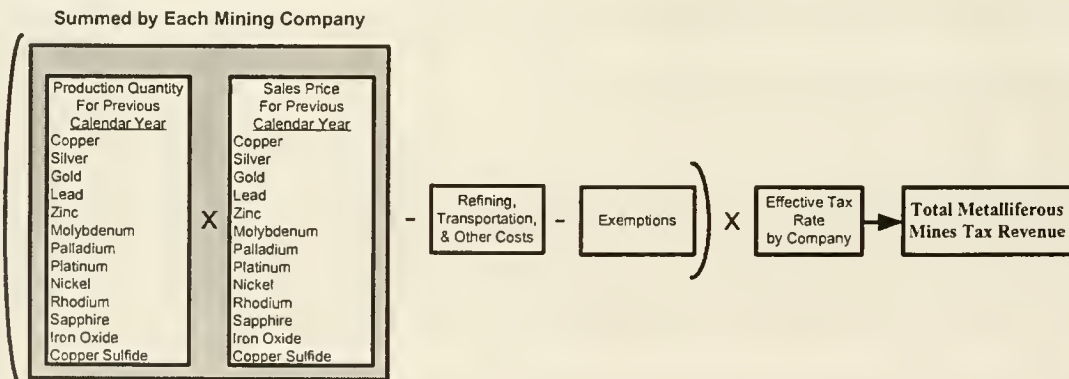
Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Projection:



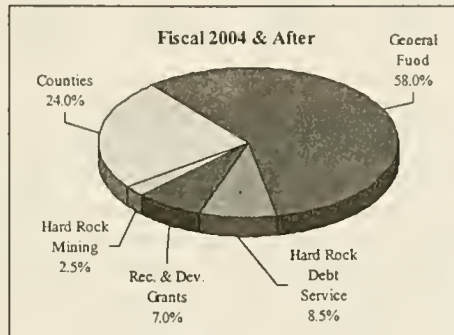
Forecast Methodology



Legislative Fiscal Division

Revenue Estimate Profile Metalliferous Mines Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax Value CY</u>	<u>Effective CY</u>	<u>GF Percent</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Allocation</u>
Actual	2000	4.661371	2.703031	369.117889		57.9879%
Actual	2001	5.923752	3.417475	355.643466		57.6911%
Actual	2002	5.740242	3.329340	303.045425		58.0000%
Actual	2003	7.055900	4.586335	347.630082		65.0000%
Actual	2004	5.572191	3.231871	387.519615	0.016870	58.0000%
Forecast	2005	7.730000	4.483000	532.112839	0.016770	58.0000%
Forecast	2006	9.187000	5.328000	565.574941	0.016710	58.0000%
Forecast	2007	9.540000	5.533000	577.641279	0.016670	58.0000%

Comdty.	<u>t</u>	<u>Copper</u>	<u>Silver</u>	<u>Gold</u>	<u>Lead</u>	<u>Zinc</u>	<u>Moly</u>	<u>Palladium</u>
<u>Prod.</u>	<u>Cal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	4.311635	1.579330	0.291116	10.105733	21.461326		
Actual	2001	0.279519	0.867094	0.273483	14.750164	24.383338		
Actual	2002	0.594816	0.431664	0.147947	6.454187	9.594224		
Actual	2003	3.586936	0.422095	0.299258	10.620022	14.550050		
Forecast	2004	71.659734	1.640266	0.043369	9.816497	20.153690		
Forecast	2005	74.044139	1.425798	0.158355	17.786185	40.152165		
Forecast	2006	74.154049	1.340358	0.227125	19.434992	50.168382		
Forecast	2007	74.209003	1.343814	0.270299	19.434992	50.168382		

Comdty.	<u>t</u>	<u>Platinum</u>	<u>Nickel</u>	<u>Rhodium</u>	<u>Sapphire</u>	<u>Copper Sul</u>	<u>Deduction</u>	<u>Refining</u>
<u>Prod.</u>	<u>Cal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000		0.000000		0.000000	0.000000		-10.330456
Actual	2001		0.626935		0.000000	0.000000		-18.811518
Actual	2002		1.254207		0.000000	0.000000		-23.786060
Actual	2003		1.378746		0.000000	0.000000		-23.933463
Forecast	2004		1.419950		0.000000	0.000000	-2.500000	-33.942132
Forecast	2005		1.309809		0.000000	0.000000	-2.500000	-33.986215
Forecast	2006		1.447683		0.000000	0.000000	-2.500000	-36.395079
Forecast	2007		1.516621		0.000000	0.000000	-2.500000	-37.604512

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Comdty. Price	t Cal	Copper Dollars	Silver Dollars	Gold Dollars	Lead Dollars	Zinc Dollars	Moly Dollars	Palladium Dollars
Actual	2000	0.646454	4.603820	276.279562	0.200607	0.502159		
Actual	2001	0.624133	4.067554	267.641016	0.217897	0.377707		
Actual	2002	0.644951	3.801359	312.723867	0.201686	0.368474		
Actual	2003	0.463017	5.229937	366.865992	0.280168	0.416065		
Forecast	2004	0.886541	6.173955	399.953460	0.423382	0.487594		
Forecast	2005	0.995000	6.330000	411.080000	0.420000	0.490000		
Forecast	2006	0.910000	6.390000	421.740000	0.420000	0.490000		
Forecast	2007	0.845000	6.390000	437.730000	0.420000	0.490000		

Comdty. Price	t Cal	Platinum Dollars	Nickel Dollars	Rhodium Dollars	Sapphire Dollars	Copper Sul Dollars
Actual	2000				0.000000	0.000000
Actual	2001		2.024806		0.000000	0.000000
Actual	2002		2.905846		0.000000	0.000000
Actual	2003		4.101375		0.000000	0.000000
Forecast	2004		6.295315		0.000000	0.000000
Forecast	2005		6.300000		0.000000	0.000000
Forecast	2006		6.300000		0.000000	0.000000
Forecast	2007		6.300000		0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Description: The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production.

Applicable Tax Rate(s): The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, an stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest. The Board of Oil and Gas Conservation adds an additional tax up to 0.26 percent of gross taxable value to all other oil and natural gas tax rates. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil and includes the privilege and license tax. The quarterly tax rates on stripper production and on incremental production are lower than that for regular production unless the price of West Texas Intermediate averages above \$30 for the quarter. Similarly, the quarterly tax rate for stripper well exemption production (1-3 barrels a day) is lower than that for regular production unless the price of West Texas Intermediate averages above \$38 for the quarter.

Oil Production	Tax Rates
Working Interests	
Pre 99 after 12 Months (Regular)	12.76%
Post 99 First 12 Months (New)	0.76%
Post 99 after 12 months (Regular)	9.26%
Stripper 4-10 barrels per day	5.76%
Stripper 11-15 barrels per day	9.26%
Stripper Well Exemption (1-3 barrels per day)	0.76%
Pre99 Horizontal after 18 months	12.76%
Post 99 Horizontal first 18 months	0.76%
Post 99 Horizontal after 18 months	9.26%
Incremental - secondary	8.76%
Incremental - tertiary	6.06%
Pre99 Horizontal Recomp - after 18 months	12.76%
Post99 Horizontal Recomp - first 18 months	5.76%
Post99 Horizontal Recomp - after 18 months	9.26%
Royalty interests	15.06%
Natural Gas Production	
Working Interests	
Pre-99 after 12 months	15.06%
Post 99 first 12 months	0.76%
Post 99 after 12 months	9.26%
Pre 99 stripper wells	11.26%
Horizontal first 18 months	0.76%
Horizontal after 18 months	9.26%
Royalty Interests	15.06%

Distribution: Once the oil and natural gas production taxes have been collected, the revenue is distributed first to applicable counties based on statutory percentages and 0.26 percent of total taxable value to the Board of Oil and Gas. The remainder of the revenue is distributed to other state accounts in the following manner:

Fiscal 2004 through Fiscal 2011

- Coal bed methane account – 1.23%
- Reclamation and development account – 2.95%
- Orphan share account – 2.95%
- University system 6 mill levy account – 2.65%
- General fund – the remainder (90.22%)

The distributions of county shares are statutorily appropriated and are based on the statutorily set percentages for each county.

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Collection Frequency: Quarterly: The oil and natural gas production tax is due 60 days after the end of the production quarter.

Major Drivers:

- Oil and gas production
- Oil and gas prices
- Types of wells (pre 99 production, post 99 production, stripper, horizontal)
- Typical decline rates for production
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Production costs
 - Energy prices
 - World supplies of oil and gas
 - World demand for oil and gas
 - Stocks of oil and gas in storage
- Social Factors
 - Total demand for energy
 - Price of energy substitutes
- Legislative Factors
 - State legislative impacts
 - Tax holidays and related changes
 - Exemptions
 - Environmental regulations
 - Federal legislative impacts
 - Environmental regulations

Data Source(s): SABHRS, Department of Revenue, Global Insight, *Wall Street Journal*

Contacts: Department of Revenue, Board of Oil & Gas

Statutory Reference:

Tax Rate (MCA) – 15-36-30. Privilege and license tax – 82-11-131, Administrative Rules 36.72.1242

Tax Distribution (MCA)– 15-36-331(4), 15-36-332(2&3) (to taxing units)

Date Due – within 60 days after the end of the calendar quarter (15-36-311(1))

% of Total FY 2004 General Fund Revenue: 2.99%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

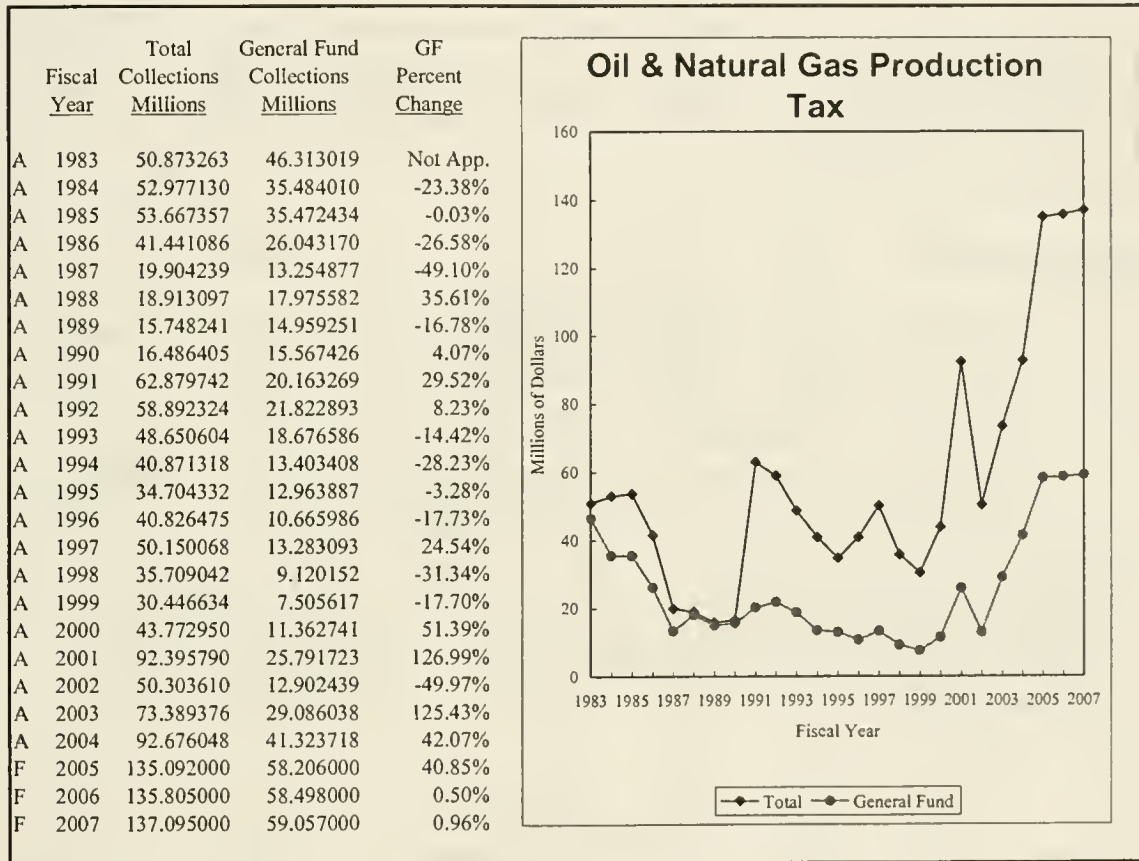
Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Total gross value is calculated for each oil or natural gas type by multiplying anticipated production by the relevant oil or natural gas price. Taxable gross value is the net of gross value less the value of production on government lands. Taxable gross value is then multiplied by the tax rate and allocated according to the state allocation percent for oil or natural gas type to determine tax revenue. The total oil and natural gas revenue is then converted from a calendar year basis to a fiscal year basis. Audit estimates are added to the applicable fiscal years.

Revenue Projection:

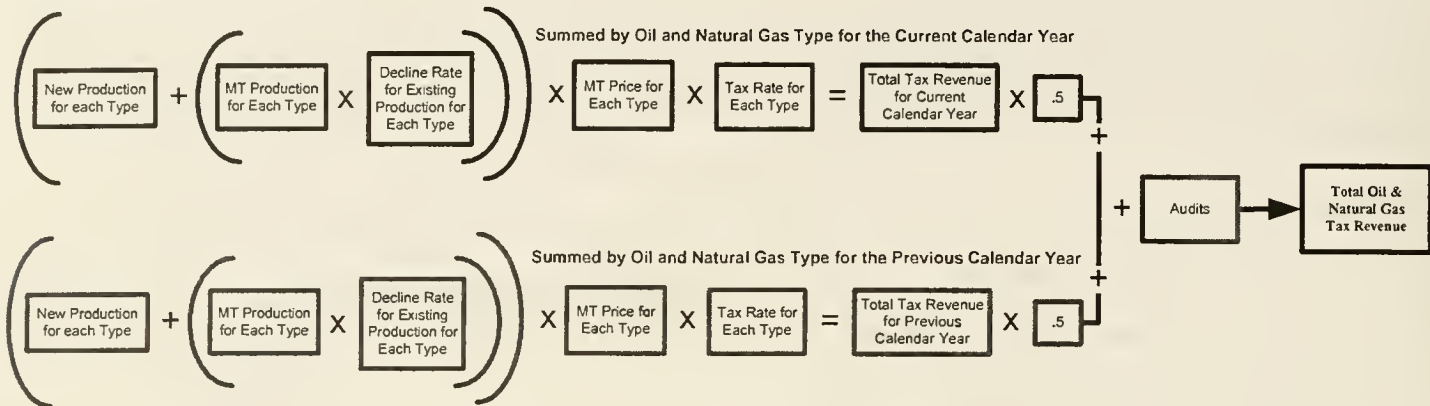


Legislative Fiscal Division

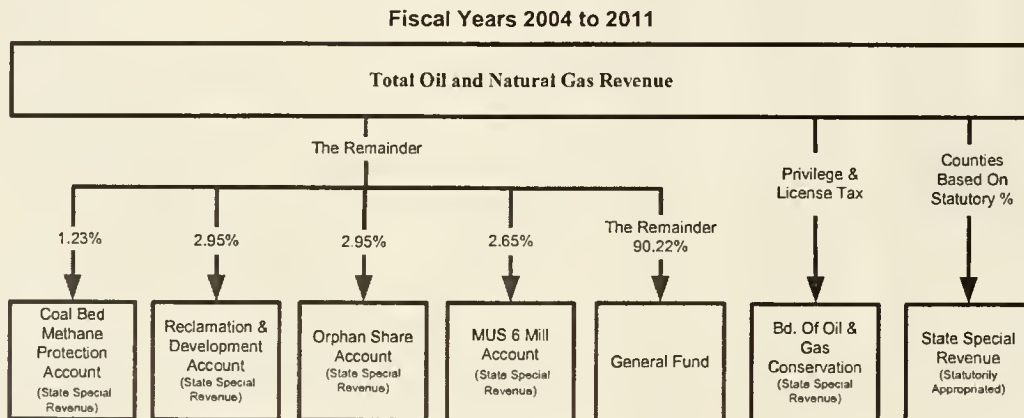
Revenue Estimate Profile

Oil and Natural Gas Production Tax

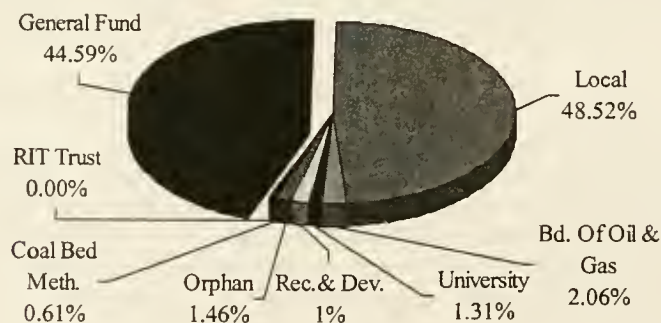
Forecast Methodology



Distribution Methodology



Oil & Natural Gas Production Based on Fiscal 2004 Actual Amounts



Because the exact distribution of oil & natural gas revenue will vary depending on various factors, the chart only reflects fiscal 2004 actual distributions. Please see the table above for exact distribution percentages.

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Composite</u>	<u>Audits</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>GF Allocation</u>	<u>Millions</u>
Actual	2000	43.772950	11.362741	0.259584	
Actual	2001	92.395790	25.791723	0.279144	
Actual	2002	50.303610	12.902439	0.256491	
Actual	2003	73.389376	29.086038	0.396325	2.436178
Actual	2004	92.676048	41.323718	0.445894	1.687625
Forecast	2005	135.092000	58.206000	0.430863	0.000000
Forecast	2006	135.805000	58.498000	0.430749	0.000000
Forecast	2007	137.095000	59.057000	0.430772	0.000000

<u>Oil</u>	<u>t</u>	<u>Barrels</u>	<u>Price</u>	<u>Gross Value</u>	<u>Exempt Value</u>	<u>Effective</u>	<u>Total Tax</u>
	<u>Cal</u>	<u>Millions</u>	<u>Per Barrel</u>	<u>Millions</u>	<u>Millions</u>	<u>Tax Rate</u>	<u>Millions</u>
Actual	2000	15.770217	27.666849	436.312212	15.727729	0.114821	48.291803
Actual	2001	15.981505	22.816391	364.640267	13.200286	0.102083	35.876151
Actual	2002	16.923825	23.119530	391.270880	14.031874	0.100083	37.755024
Actual	2003	19.391933	28.004264	543.056811	18.777257	0.095372	50.001667
Actual	2004	22.324142	46.000000	1033.660140	29.461103	0.090741	91.122199
Forecast	2005	27.472205	39.560000	1100.211088	21.455019	0.084456	91.107383
Forecast	2006	29.439027	34.300000	1023.356338	23.349770	0.090001	90.001538
Forecast	2007	33.516965	34.480000	1174.346654	30.139110	0.085720	98.081457

<u>Gas</u>	<u>t</u>	<u>MCF's</u>	<u>Price</u>	<u>Gross Value</u>	<u>Exempt Value</u>	<u>Effective</u>	<u>Total Tax</u>
	<u>Cal</u>	<u>Millions</u>	<u>Per MCF</u>	<u>Millions</u>	<u>Millions</u>	<u>Tax Rate</u>	<u>Millions</u>
Actual	2000	66.163277	2.901700	191.985981	9.066332	0.106032	19.395351
Actual	2001	76.713082	3.188642	244.610555	11.319744	0.104020	24.266868
Actual	2002	79.531692	2.230608	177.404028	11.569839	0.104259	17.289646
Actual	2003	80.327001	3.983935	320.017551	15.043266	0.099219	30.259247
Actual	2004	89.464491	5.410000	480.389295	19.884321	0.094157	43.359949
Forecast	2005	100.744115	5.050000	501.928333	14.229815	0.091439	44.594685
Forecast	2006	107.368498	4.970000	524.383683	16.941270	0.090465	45.905953
Forecast	2007	116.047644	4.070000	462.855804	16.789829	0.090122	40.200199

Legislative Fiscal Division

Revenue Estimate Profile Resource Indemnity Tax

Revenue Description: The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal, as well as most minerals, but not metals and oil and natural gas. Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the resource indemnity trust balance had reached \$100 million, a portion of oil and natural gas taxes had been distributed under the same methodology as the RIGWA tax. Once the RIT balance reached \$100 million, this portion of oil and natural gas taxes no longer has a connection to the RIGWA tax. The RIGWA tax on all other production is specific to each resource as described below.

Applicable Tax Rate(s): The applicable rates are as follows:

Coal: \$25 plus 0.4% of the gross value of coal produced in the preceding year in excess of \$6,250

Minerals: \$25 plus 0.5% of the gross value of minerals (excluding metals and excluding oil and natural gas because the resource indemnity trust has reached \$100 million) produced in the preceding year in excess of \$5,000

Talc: \$25 plus 0.4% of the gross value of talc produced in the preceding year in excess of \$625

Vermiculite: \$25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of \$1,250

Limestone: \$25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of \$250

Garnets: \$25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of \$2,500

Distribution: Beginning fiscal 2004, the amount needed to cover debt service on CERCLA bonds (after amounts transferred from the CERCLA cost recovery account) is deposited to the CERCLA match debt service account. The remainder of RIGWA tax proceeds is distributed in the following order:

1. \$366,000 each year to the ground water assessment account
2. 50.0% of the remainder to the reclamation and development grants account
3. the amount needed to maintain a \$150,000 balance in the natural resource worker scholarship account (enacted by the 2001 legislature in Senate Bill 322 and terminates the end of fiscal 2007)
4. the remainder to the orphan share account (terminates the end of fiscal 2007)

Collection Frequency: Annually - the tax is paid on or before March 31 of the year following the production year.

Major Drivers:

- Mineral production (mostly coal)
- Prices

Potential Factors Influencing Change:

- Economic Factors
 - Energy prices
 - Production and shipping costs
 - Type of coal (BTU)
 - Length of company contracts
- Social Factors
 - Total demand for energy
 - Price of energy of substitutes
- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Environmental regulation changes
 - Federal legislative impacts
 - Environmental regulation changes

Legislative Fiscal Division

Revenue Estimate Profile Resource Indemnity Tax

Data Source(s): SABHRS, Department of Revenue, Surveys of Various Companies

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 15-38-104

Tax Distribution (MCA) – 15-38-106, 39-10-106

Date Due from metal producers – March 31st following the end of the calendar year (15-38-105, 15-38-106(1))

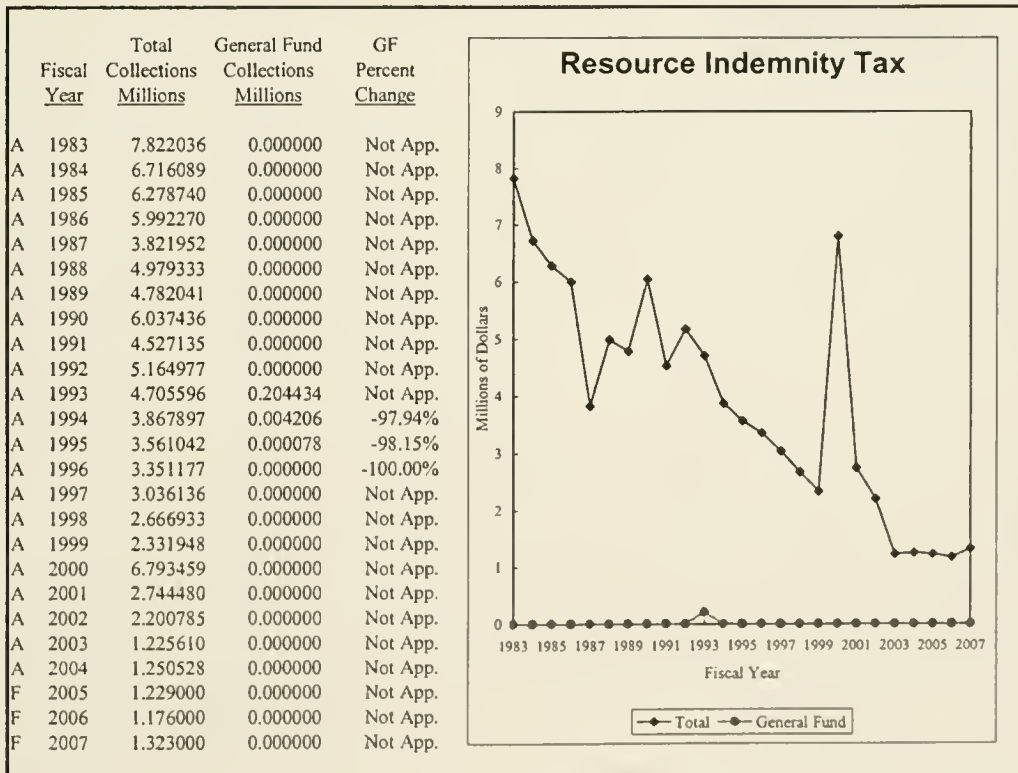
Date Due from mineral producers – 60 days following the end of the calendar year (15-38-105, 15-38-106(1))

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Total gross value of coal and other minerals are forecast as described in the natural resource section. The tax rate is applied to the gross value to derive the revenue forecast.

Revenue Projection:

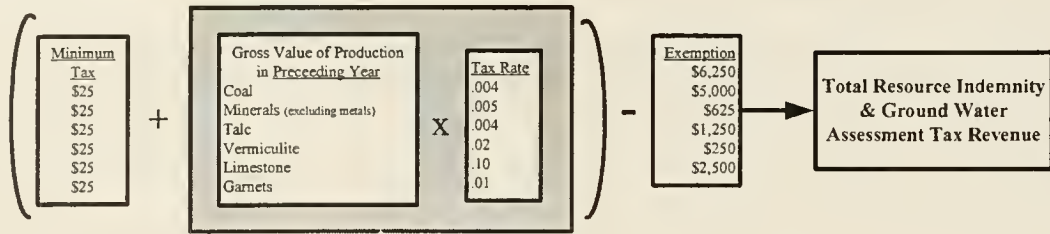


Legislative Fiscal Division

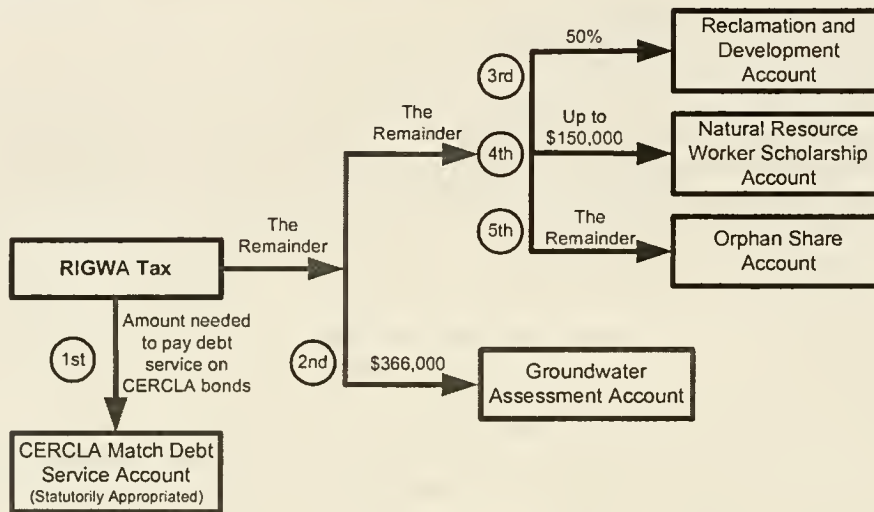
Revenue Estimate Profile

Resource Indemnity Tax

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Oil</u>	<u>Natural Gas</u>	<u>Coal</u>	<u>Metals</u>	<u>Other</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	6.793459	0.000000	0.851792	0.159668	0.906413	0.000000	0.239000
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.838000	0.000000	0.372000
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.826000	0.000000	0.407000
Actual	2003	1.225610	0.000000	0.000000	0.000000	0.842000	0.000000	0.387000
Actual	2004	1.250528	0.000000	0.001614	0.000000	0.823000	0.000000	0.353000
Forecast	2005	1.229000	0.000000	0.000000	0.000000	0.842000	0.000000	0.387000
Forecast	2006	1.176000	0.000000	0.000000	0.000000	0.823000	0.000000	0.353000
Forecast	2007	1.323000	0.000000	0.000000	0.000000	0.924000	0.000000	0.399000

	<u>t</u>	<u>Trust Other</u>	<u>Trust Metal</u>	<u>Renewable</u>	<u>Ground</u>	<u>Reclamation</u>	<u>Orphan</u>	<u>Trust</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Balance</u>
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204	96.404163
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300	100.373547
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077	102.065653
Actual	2003	0.000000	0.000000	0.000000	0.366000	0.429805	0.279805	100.000965
Actual	2004	-0.000188	0.000000	0.000000	0.366000	0.442358	0.442358	100.002390
Forecast	2005	0.252454	0.000000	0.000000	0.113546	0.431500	0.337992	100.254844
Forecast	2006	0.000000	0.000000	0.000000	0.366000	0.318000	0.318492	100.254844
Forecast	2007	0.000000	0.000000	0.000000	0.366000	0.312000	0.311492	100.254844

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Applicable Tax Rate(s): N/A

Distribution: All receipts are deposited into the general fund. House Bill 226 enacted by the 2001 legislature transfers the following percentage of general fund money to the mineral impact account for distribution to eligible counties in which the minerals were extracted: 1) 12.5% in fiscal 2004; and 2) 25% each fiscal year thereafter. Money in the mineral impact account is statutorily appropriated.

Collection Frequency: Monthly

Major Drivers:

- Amount of minerals produced on federal lands
- Montana mineral prices
- Federal royalty rates
- Rents and bonuses

Potential Factors Influencing Change:

- Economic Factors
 - Oil, natural gas and coal prices
 - Production costs
 - Energy demand
- Social Factors
 - Energy demand
 - Energy substitutes
- Legislative Factors
 - Environmental regulation changes
- Federal legislative impacts
 - Environmental regulation changes

Data Source(s): SABHRS, Department of Revenue

Contacts: U.S. Minerals Management Service

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 17-3-240(1), to the mineral impact account – August 15 following the close of the fiscal year (17-3-240(2&3))

% of Total FY 2004 General Fund Revenue: 2.08%

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

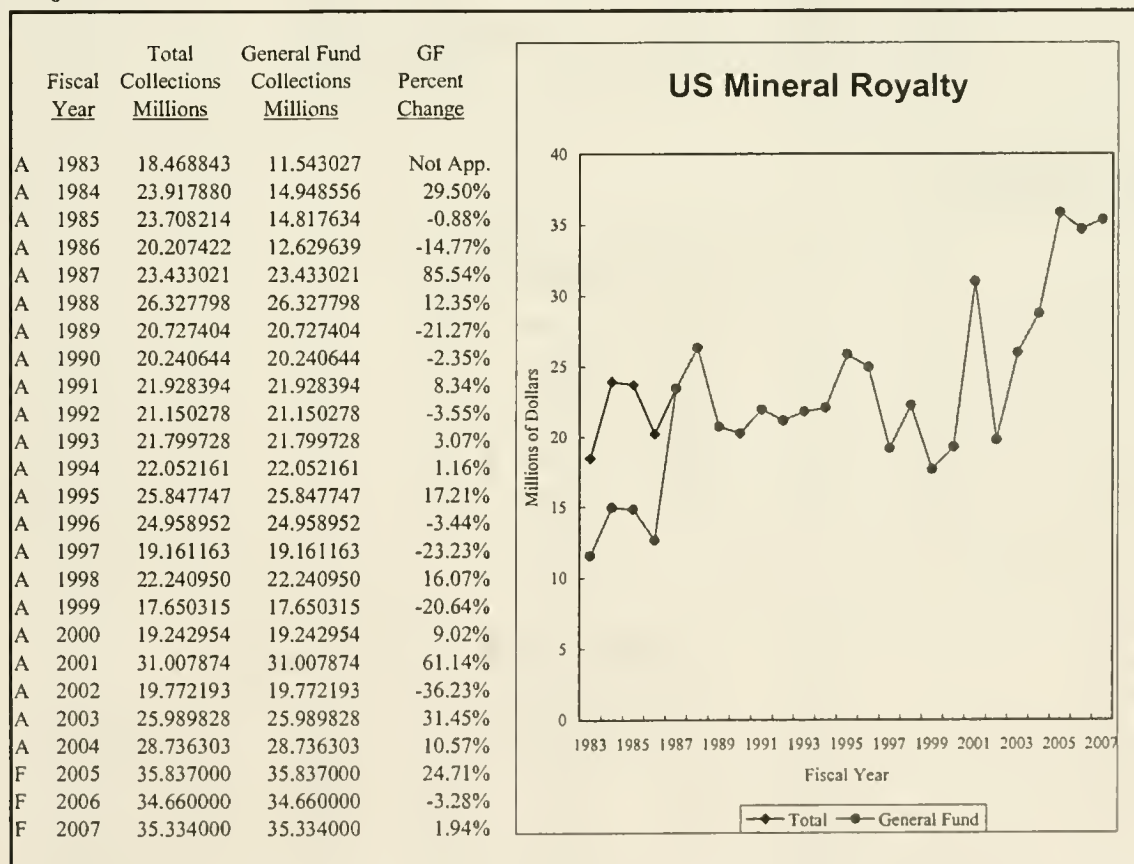
The revenue estimate for this source is calculated in several steps:

1. Federal royalty revenue is calculated for each of the minerals produced on federal land, as follows:
2. Federal coal royalty revenue = (Montana coal production x Montana coal price x federal royalty rate for coal)
3. Federal oil royalty revenue = (Montana oil production x Montana oil price x federal royalty rate for oil)
4. Federal natural gas royalty revenue = (Montana natural gas production x Montana natural gas price x federal royalty rate for natural gas)

Federal royalty revenue is then calculated for other federal royalty revenue. The sum of these four sources provides total federal royalty revenue.

Total federal royalty revenue is added to federal rent and bonus revenue, and the sum multiplied by 0.50 to determine the state's share. The anticipated state revenue is converted from a calendar to a fiscal year basis.

Revenue Projection:

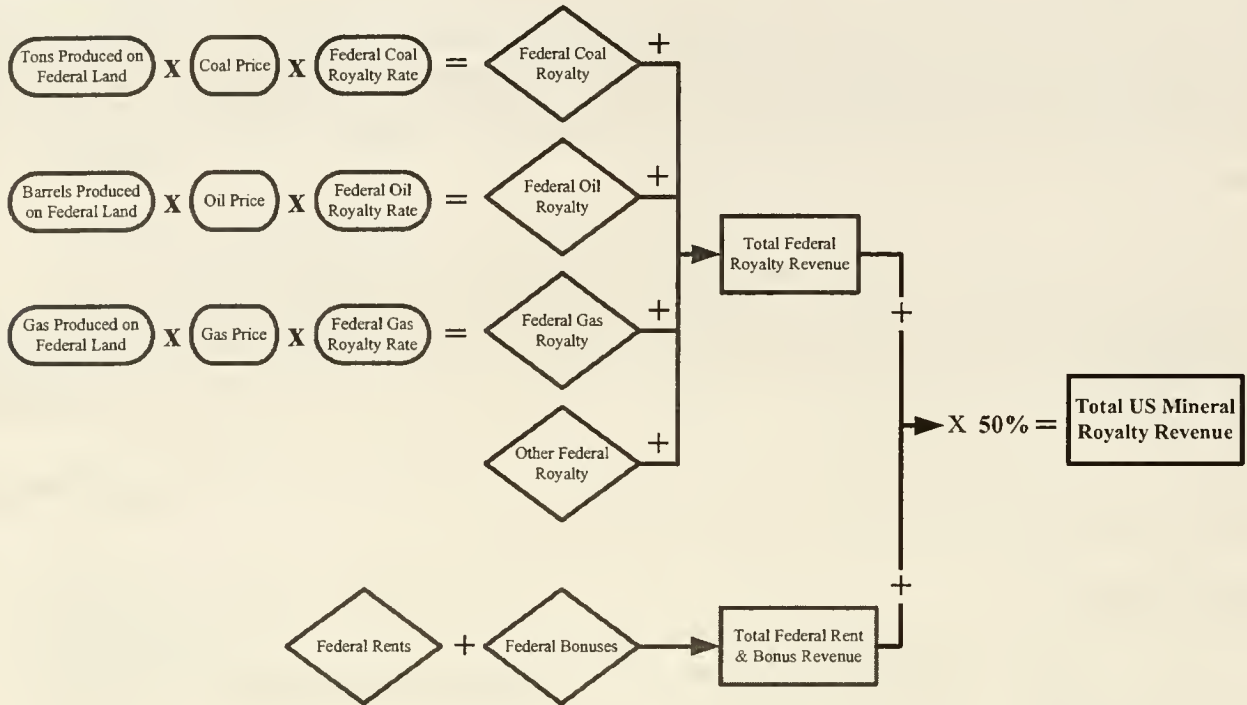


Legislative Fiscal Division

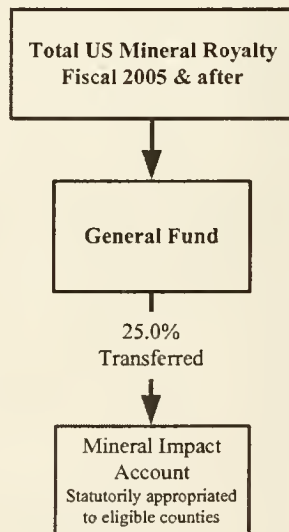
Revenue Estimate Profile

US Mineral Royalty

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>One-Time</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Settlement</u>
				<u>Millions</u>
Actual	2000	19.242954	19.242954	
Actual	2001	31.007874	31.007874	6.038000
Actual	2002	19.772193	19.772193	0.000000
Actual	2003	25.989828	25.989828	0.000000
Actual	2004	28.736303	28.736303	0.000000
Forecast	2005	35.837000	35.837000	0.000000
Forecast	2006	34.660000	34.660000	0.000000
Forecast	2007	35.334000	35.334000	0.000000

	<u>t</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>
	<u>Cal</u>	<u>Barrels</u>	<u>Tons</u>	<u>MCFs</u>	<u>Price</u>	<u>Price</u>	<u>Price</u>
Actual	2000	2.844204	23.263951	18.562337	26.936413	8.896481	3.716299
Actual	2001	2.882311	24.008898	21.522120	22.214013	8.184205	4.083795
Actual	2002	3.052261	23.165885	22.312886	22.509148	8.815356	2.856810
Actual	2003	3.497391	20.394951	22.536015	27.264920	8.828832	5.102352
Actual	2004	4.026224	21.698585	25.099577	44.785548	9.448163	6.928758
Forecast	2005	4.954691	19.528049	25.126072	38.515572	9.133755	6.467695
Forecast	2006	5.309412	20.564988	24.017871	33.394441	9.285253	6.365237
Forecast	2007	6.044877	22.788640	27.128501	33.569689	9.239790	5.212578

	<u>t</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>	<u>Oil</u>	<u>Coal</u>	<u>Gas</u>
	<u>Cal</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Roy. Rate</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>
Actual	2000	0.109451	0.122845	0.123153	8.385332	25.424898	8.495487
Actual	2001	0.109593	0.123490	0.123186	7.016987	24.265012	10.827055
Actual	2002	0.109691	0.123400	0.122814	7.536188	25.200197	7.828616
Actual	2003	0.109445	0.123229	0.122909	10.436247	22.189056	14.132898
Actual	2004	0.109603	0.123186	0.122916	19.763246	25.254579	21.376186
Forecast	2005	0.109288	0.123337	0.123045	20.855730	21.998931	19.995769
Forecast	2006	0.109148	0.123407	0.122777	19.352469	23.564705	18.770079
Forecast	2007	0.109288	0.123337	0.123045	22.177228	25.970116	17.399723

	<u>t</u>	<u>Other</u>	<u>Rent&Bonus</u>	<u>Total</u>	<u>Adm. Fee</u>	<u>State</u>
	<u>Cal</u>	<u>Royalty</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Share</u>
Actual	2000	0.106007	2.538708	44.950432	1.039176	21.436040
Actual	2001	0.110419	5.365295	47.584768	0.259794	23.532590
Actual	2002	0.107805	4.337445	45.010251	0.000000	22.505126
Actual	2003	0.108077	4.401366	51.267644	0.000000	25.633822
Actual	2004	0.107296	6.944381	73.445688	0.000000	36.722844
Forecast	2005	0.108077	6.944381	69.902888	0.000000	34.951444
Forecast	2006	0.107296	6.944381	68.738930	0.000000	34.369465
Forecast	2007	0.107726	6.944381	72.599174	0.000000	36.299587

Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Revenue Description: The wholesale energy transaction tax, enacted by the 1999 legislature (HB 174 effective January 1, 2000) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

Applicable Tax Rate(s): The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5 percent exemption for line loss.

Distribution: All proceeds are deposited into the general fund.

Collection Frequency: Quarterly

Major Drivers:

- Electricity transmitted through the state
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Electricity Prices
 - Generation capacity
 - Transmission capacity
 - Population change
- Social Factors
 - Government or industry announcements
 - Energy crises
- Legislative Factors
 - State legislative impacts
 - Change in tax rate
 - Changes in regulation
 - Federal legislative impacts
 - Changes in regulation

Data Source(s): SABHRS, Department of Revenue Wholesale Energy Tax Returns, Global Insight, *Wall Street Journal*

Contacts: Transmission companies' financial personnel, Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 15-72-104(1)

Tax Distribution (MCA) – 15-72-106(3)

Date Due – 30th day of the month following the end of the calendar quarter

Legislative Fiscal Division

Revenue Estimate Profile

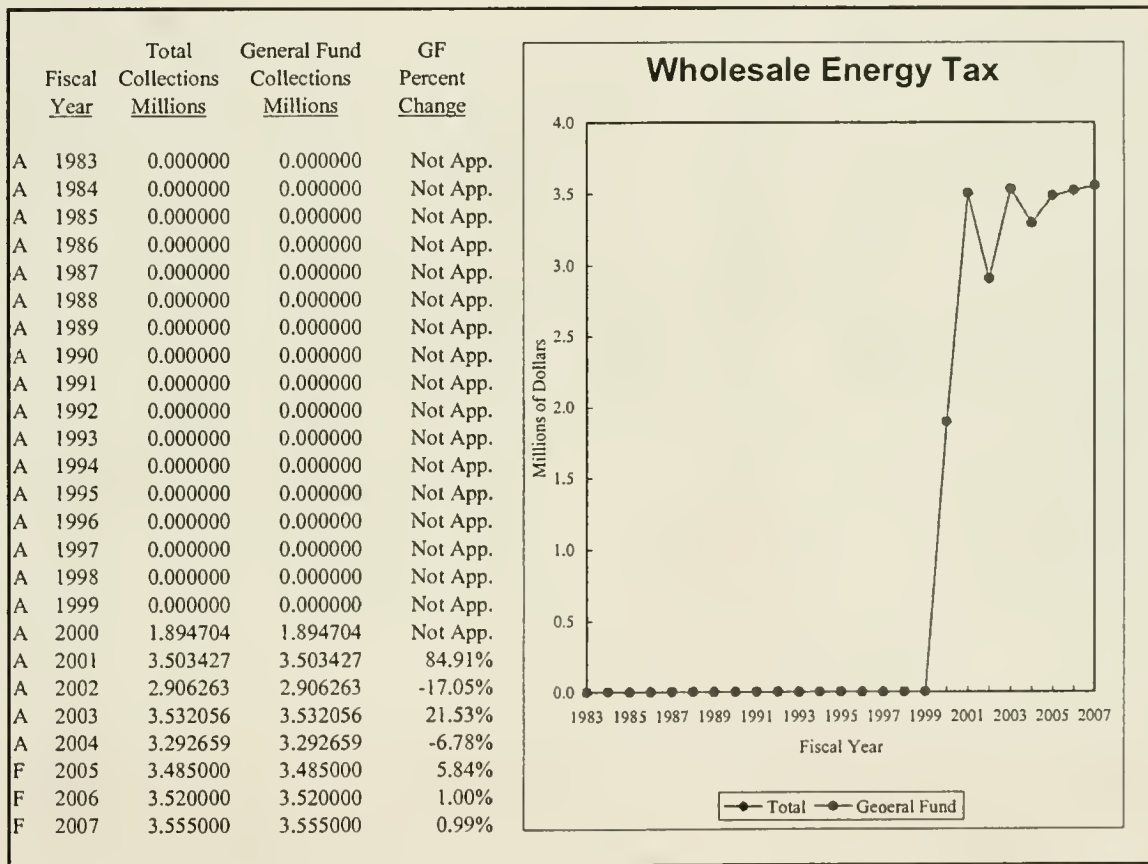
Wholesale Energy Tax

% of Total FY 2004 General Fund Revenue: 0.24%

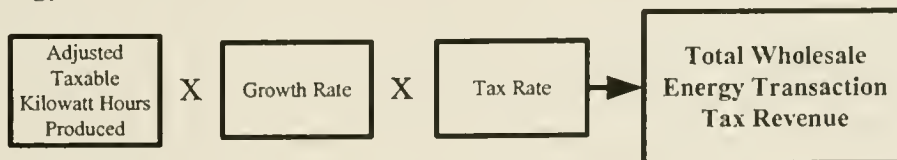
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The estimated tax revenue is computed by multiplying the last known adjusted KWH by a growth rate then multiplying by the tax rate.

Revenue Projection:



Forecast Methodology



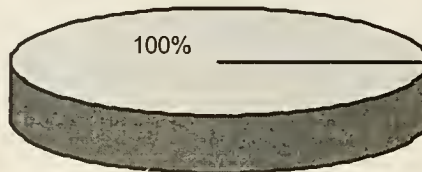
Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>KWH CY</u>	<u>KWH FY</u>	<u>Credits</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	1.894704	1.894704	23293.307441	12273.924051	0.000000	0.000150
Actual	2001	3.503427	3.503427	21930.042719	22658.110488	0.000000	0.000150
Actual	2002	2.906263	2.906263	22296.733482	22775.157501	0.000000	0.000150
Actual	2003	3.532056	3.532056	22642.729021	24780.402486	0.000000	0.000150
Actual	2004	3.292659	3.292659	20608.753860	23961.126405	0.000000	0.000150
Forecast	2005	3.485000	3.485000	21496.438957	23235.938955	0.000000	0.000150
Forecast	2006	3.520000	3.520000	20713.191669	23468.298345	0.000000	0.000150
Forecast	2007	3.555000	3.555000	21582.297662	23702.981328	0.000000	0.000150

INTEREST EARNINGS

Capital Land Grant Interest
Coal Trust Interest
Common School Interest and Income
Cultural & Aesthetics Trust Interest
Deaf & Blind Trust Interest
Parks Trust Interest

Pine Hills Trust Interest & Income
Regional Water Trust Interest
Resource Indemnity Trust Interest
Tobacco Settlement Trust Interest
Treasure State Endowment Interest
Treasury Cash Account Interest



Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Description: Lands granted by the federal government to the state generate income from a variety of sources. Section 12 of the *Enabling Act* requires that income generated on certain sections of federally granted land be used for public buildings at the state capital for construction, repair, renovation, and other permanent improvements of state buildings. Capital land grant funds can also be used for the acquisition of land for such buildings, as well as the payment of principal and interest on bonds issued for any of these purposes.

Non-permanent sources of revenue generated from capital land grant lands include: grazing fees, agricultural fees, miscellaneous fees and rentals, and oil and natural gas leases and penalties. Statute requires that 3.0 percent of total non-permanent revenue be diverted to the Department of Natural Resources and Conservation (DNRC) for resource development purposes. Senate Bill 48, passed by the 1999 legislature, allows an amount up to 10 percent of the previous year's revenue to be diverted each year to a state special revenue account used to fund the Trust Land Management Division of DNRC. Permanent sources of revenue generated from capital land grant lands include timber sales and oil and natural gas royalties. A portion of timber sale revenue is diverted to DNRC to fund a portion of its timber program based on the amount appropriated by the legislature (the remaining portion is funded with timber sale revenue from the common school and other land trusts that generate timber revenue).

Applicable Tax Rate(s): N/A

Distribution: After divisions for DNRC administration, all remaining capital land grant income is deposited into a capital projects fund to be used for projects on the state capital complex in accordance with the provisions of Section 12 of the *Enabling Act*.

Collection Frequency: Monthly

Major Drivers:

- Revenue received for commodities produced or extracted from trust lands (i.e. grazing and agricultural rents, mineral royalties)
- Diversions of revenue for administration

Potential Factors Influencing Change:

- Economic Factors
 - Commodity prices
 - Commodity production
- Social Factors – None
- Legislative Factors
 - State legislative impacts
 - Prices and rental charges set by the Board of Land Commissioners
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations of revenue for administration
 - Statutory allocation of revenue for administration
 - Federal legislative impacts - None

Data Source(s): SABHRS, *Wall Street Journal*, Department of Natural Resources and Conservation

Contacts: Department of Administration, Department of Natural Resources and Conservation

Statutory Reference:

Tax Rate – NA

Tax Distribution (MCA) – 18-2-107

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

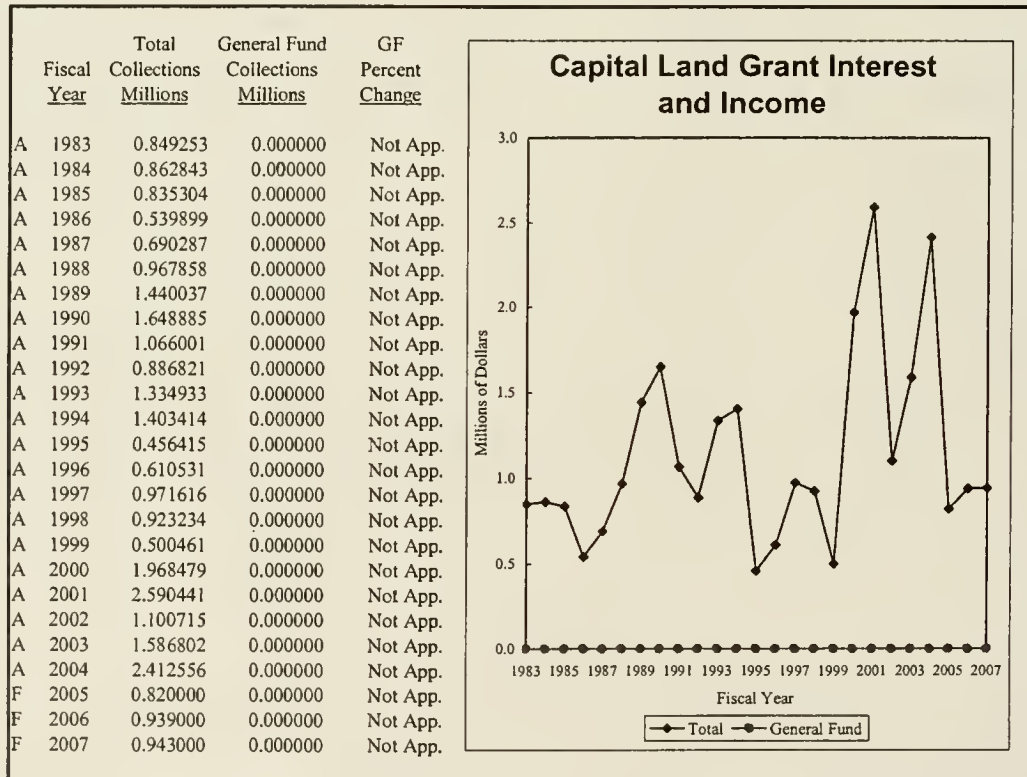
Other (MCA) – DNRC trust land administration diversion (77-1-109)
 DNRC timber sale program diversion (77-1-613)
 DNRC land bank administration diversion (77-2-362)
 DNRC resource development diversion (77-1-607)
 Enabling Act, Sections 10, 12 & 17

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Capital land grant income consists of four income and three expense sources that are estimated independently: 1) income; 2) permanent income; 3) trust land management administration costs; and 4) resource development expenses. Income is estimated by summing grazing fees, agricultural fees, miscellaneous fees, oil and gas leases and penalties, and miscellaneous rentals. Permanent capital land grant income consists of royalties from the sale of oil, natural gas, miscellaneous income sources, and timber. Timber sale revenue is reduced by a portion of the amount appropriated to DNRC to fund the timber sales program. The amount of distributable income is also reduced by the estimated amounts of trust land management administrative costs and a 3 percent resource development allocation to derive the total estimate for the capital land grant income revenue.

Revenue Projection:

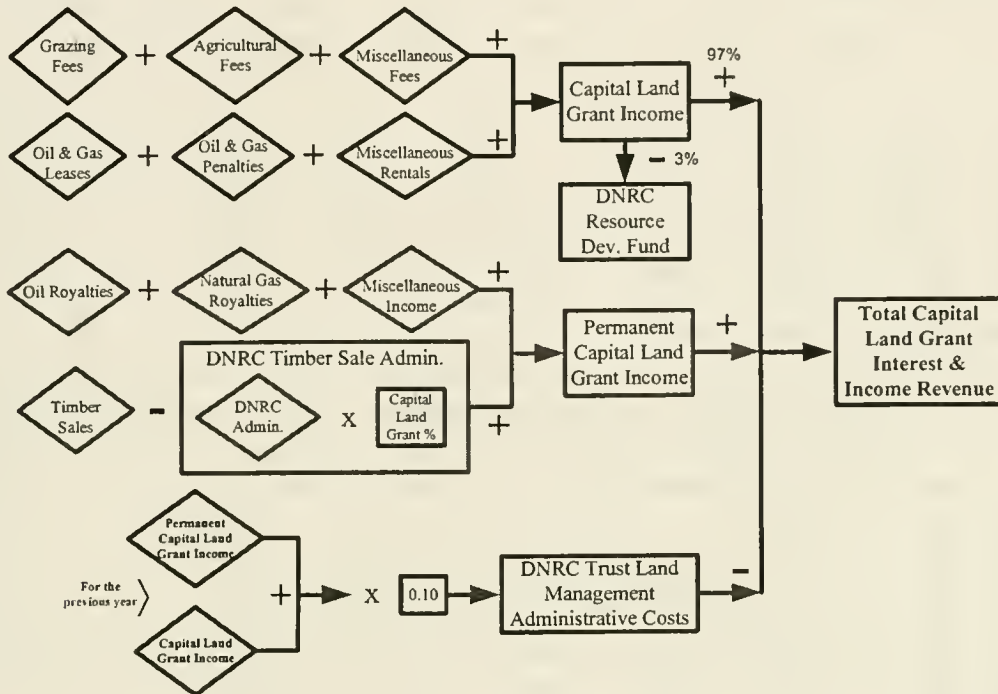


Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Forecast Methodology



Distribution Methodology

Capital Projects Fund



Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>Capital</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Land Share</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&L</u>
Actual	2000	1.968479	0.000000			0.000000
Actual	2001	2.590441	0.000000			0.000000
Actual	2002	1.100715	0.000000	29.670198	0.102471	0.000000
Actual	2003	1.586802	0.000000	29.146744	0.068370	0.000000
Actual	2004	2.412556	0.000000	30.087011	0.053502	0.000000
Forecast	2005	0.820000	0.000000	30.090667	0.293644	0.000000
Forecast	2006	0.939000	0.000000	30.273418	0.351193	0.000000
Forecast	2007	0.943000	0.000000	30.371250	0.389633	0.000000

	<u>t</u>	<u>Trust Income</u>	<u>Trust Land</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Admin.</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	10.962021		7.0160%	5.9500%	11.676486
Actual	2001	12.667782	-0.048140	6.8830%	6.6400%	6.984553
Actual	2002	2.105811	-0.151480	6.3370%	3.5945%	7.334239
Actual	2003	2.345732	29.129953	5.7290%	2.1032%	6.242273
Actual	2004	2.936728	30.041549	5.3680%	1.9674%	7.049634
Forecast	2005	3.326972	-0.241256	5.4930%	2.9685%	7.049634
Forecast	2006	1.666932	-0.149939	5.8690%	4.3184%	7.049634
Forecast	2007	1.666932	-0.154533	6.1860%	4.8225%	7.049634

	<u>t</u>	<u>Grazing</u>	<u>Agriculture</u>	<u>Misc.</u>	<u>O&G Lease</u>	<u>O&G Bonus</u>	<u>O&G Penalty</u>	<u>Misc.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.132580	0.044452	0.000000	0.019153	0.009104	0.002343	0.048046
Actual	2001	0.159924	0.043153	0.000000	0.013722	0.002980	0.003287	0.064391
Actual	2002	0.173945	0.030825	0.000000	0.018286	0.002180	0.004428	0.090509
Actual	2003	0.170050	0.043195	0.000000	0.018497	0.001020	0.004170	0.069849
Actual	2004	0.132298	0.088177	0.000000	0.017818	0.000000	0.005399	0.059222
Forecast	2005	0.160081	0.043600	0.000000	0.018200	0.000000	0.004666	0.067120
Forecast	2006	0.143272	0.043316	0.000000	0.018172	0.000000	0.004745	0.068485
Forecast	2007	0.132298	0.043370	0.000000	0.018063	0.000000	0.004937	0.067803

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

	<u>t</u>	<u>Int. Land</u>	<u>Int. STIP</u>	<u>Int. Trust</u>	<u>Res. Dev.</u>	<u>Lease Total</u>	<u>Timber Cost</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000	0.000000	-0.007670	0.248008	
Actual	2001	0.000000	0.000000	0.000000	-0.008268	0.279189	
Actual	2002	0.000000	0.000000	0.000000	-0.008838	0.311335	
Actual	2003	0.000000	0.000000	0.000000	-0.009311	0.297470	0.000000
Actual	2004	0.000000	0.000000	0.000000	-0.012622	0.290292	0.000000
Forecast	2005	0.000000	0.000000	0.000000	-0.008810	0.284857	-0.429222
Forecast	2006	0.000000	0.000000	0.000000	-0.008340	0.269650	-0.447630
Forecast	2007	0.000000	0.000000	0.000000	-0.007994	0.258477	-0.448291

	<u>t</u>	<u>Oil Roy.</u>	<u>Gas Roy.</u>	<u>Timber</u>	<u>Misc.</u>	<u>Perm. Total</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.004394	0.004489	1.675671	0.028247	1.712801
Actual	2001	0.005659	0.008068	2.278363	0.010894	2.302984
Actual	2002	0.003264	0.002190	0.769197	0.005891	0.780542
Actual	2003	0.004461	0.013330	1.238901	0.023329	1.280021
Actual	2004	0.003492	0.027817	1.231369	0.846964	2.109642
Forecast	2005	0.003166	0.027817	1.155222	0.019516	0.776499
Forecast	2006	0.002987	0.027817	1.216130	0.020404	0.819708
Forecast	2007	0.002904	0.027817	1.235970	0.020927	0.839327

Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Revenue Description: Article IX, Section 5 of the Montana Constitution requires that 50.0 percent of all coal severance tax revenue be deposited in a permanent coal trust fund and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. Through fiscal 2003, the remainder of the funds was then split 75 (37.5 percent of total revenue) percent to the treasure state endowment trust fund and 25 percent (12.5 percent of total revenue) to the treasure state endowment regional water system trust fund. With the enactment of House Bill 610 by the 2001 legislature, beginning fiscal 2004 the remaining funds are then split 50 percent (25 percent of total revenue) to the treasure state endowment trust fund, 25 percent (12.5 percent of total revenue) to the treasure state endowment regional water system trust fund, and 25 percent (12.5 percent of total revenue) to the permanent trust fund. By statute, interest earned on the permanent trust that is not earmarked to other programs is deposited to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as the in-state investment program, are taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust fund bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short-term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock.

Applicable Tax Rate(s): N/A

Distribution: Interest earned on the permanent coal tax trust fund is deposited into the general fund. Statute further annually transfers and statutorily appropriates (see the exception in fiscal 2005) interest income from \$140 million of the coal severance tax permanent fund as follows:

Fiscal 2005

- \$3,650,000* – to the research and commercialization state special revenue account
- \$1,250,000 – for the growth through agriculture program
- \$600,000 – to DofA to reimburse tax increment financing industrial districts
- \$425,000 – to the Department of Commerce for certified regional development corporations
- \$300,000 – to the Department of Commerce for export trade enhancement
- \$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
- \$125,000 – to the Department of Commerce for a small business development center
- \$65,000 – to the Cooperative Development Center
- \$50,000 – to the Department of Commerce for a small business innovative research program

\$6,665,000

* The money is not statutorily appropriated, but is directed by statute to be transferred.

Fiscal 2006 - 2010

- \$3,650,000 – to the research and commercialization state special revenue account
- \$1,250,000 – for the growth through agriculture program
- \$425,000 – to the Department of Commerce for certified regional development corporations
- \$300,000 – to the Department of Commerce for export trade enhancement
- \$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
- \$125,000 – to the Department of Commerce for a small business development center
- \$65,000 – to the Cooperative Development Center
- \$50,000 – to the Department of Commerce for a small business innovative research program

\$6,065,000

Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on loans and investments
- Balance in the coal severance tax permanent fund available for investment
- Water bond subsidy

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Coal price
 - Coal production costs
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Coal severance tax and distribution related changes
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations from the coal severance tax permanent fund
 - Authorization of loans at less return than other investments
 - Diversion of coal severance tax revenue from the coal severance tax permanent fund
 - Federal legislative impacts
 - Influences on national interest and bond rates

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts: Board of Investments

Statutory Reference:

Tax Rate – NA

Distribution (MCA)– Montana Constitution, Article IX, Section 5; 17-5-704; 15-35-108(7)

Date Due - NA

% of Total FY 2004 General Fund Revenue: 2.53%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast permanent trust interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on five separate components: 1) permanent trust pool interest; 2) interest on new deposits; 3) in-state investment interest; 4) short-term interest earnings; and 5) interest earned on other non-pool balances.

The first step involves determining the permanent trust TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding the forecast amount of the coal tax allocation for that year (less the applicable percentage of the water bond subsidy)

Legislative Fiscal Division

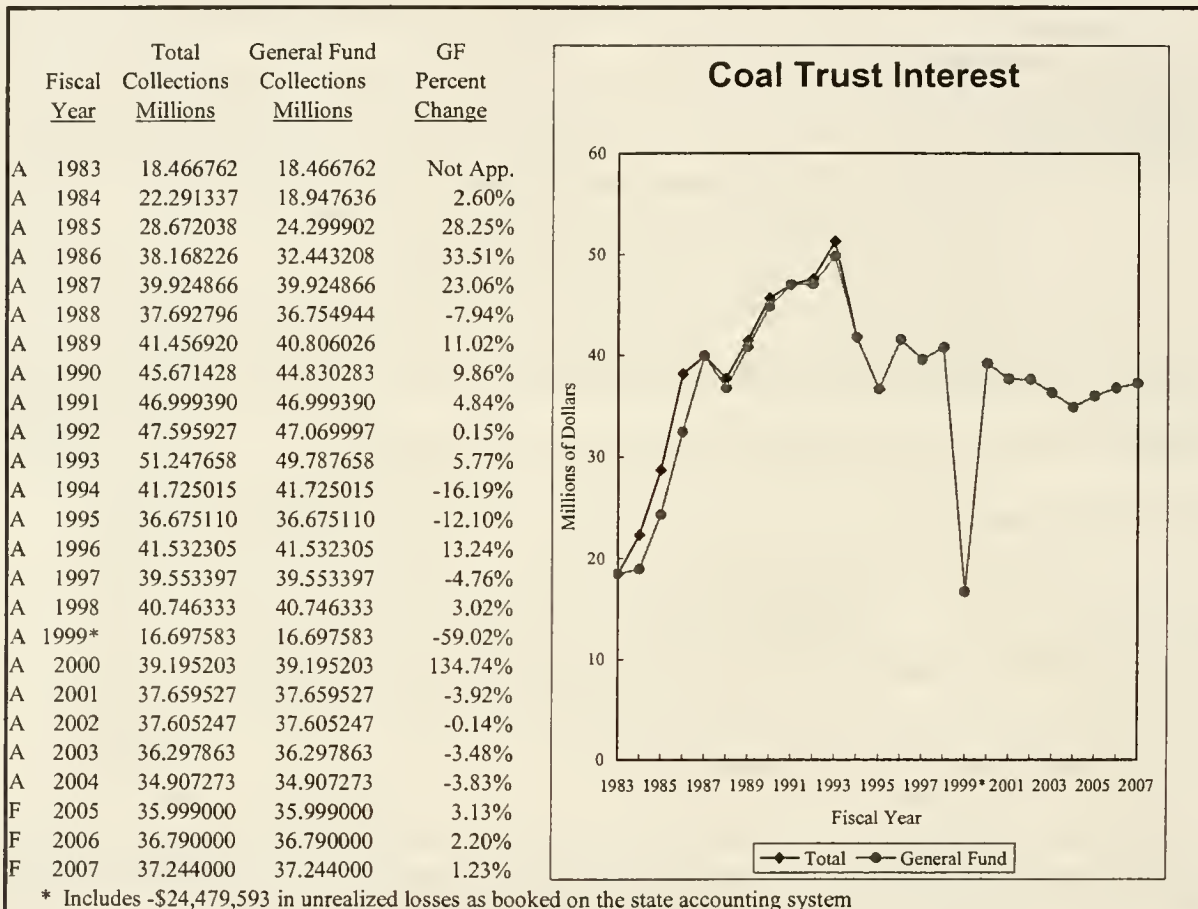
Revenue Estimate Profile

Coal Trust Interest

multiplied by the long-term interest rate to the last year's estimate. Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections (less a portion of the water bond subsidy) by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter. Coal severance tax collections are forecast as part of the coal severance tax methodology.

In-state investment interest is determined by multiplying the amount of principal loaned times the interest rate charged on the loans. Additionally, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income. Other non-TFBP investment balances are estimated and multiplied by the applicable interest rates. Once investment income has been calculated for these components, the sum comprises total permanent trust investment income.

Revenue Projection:

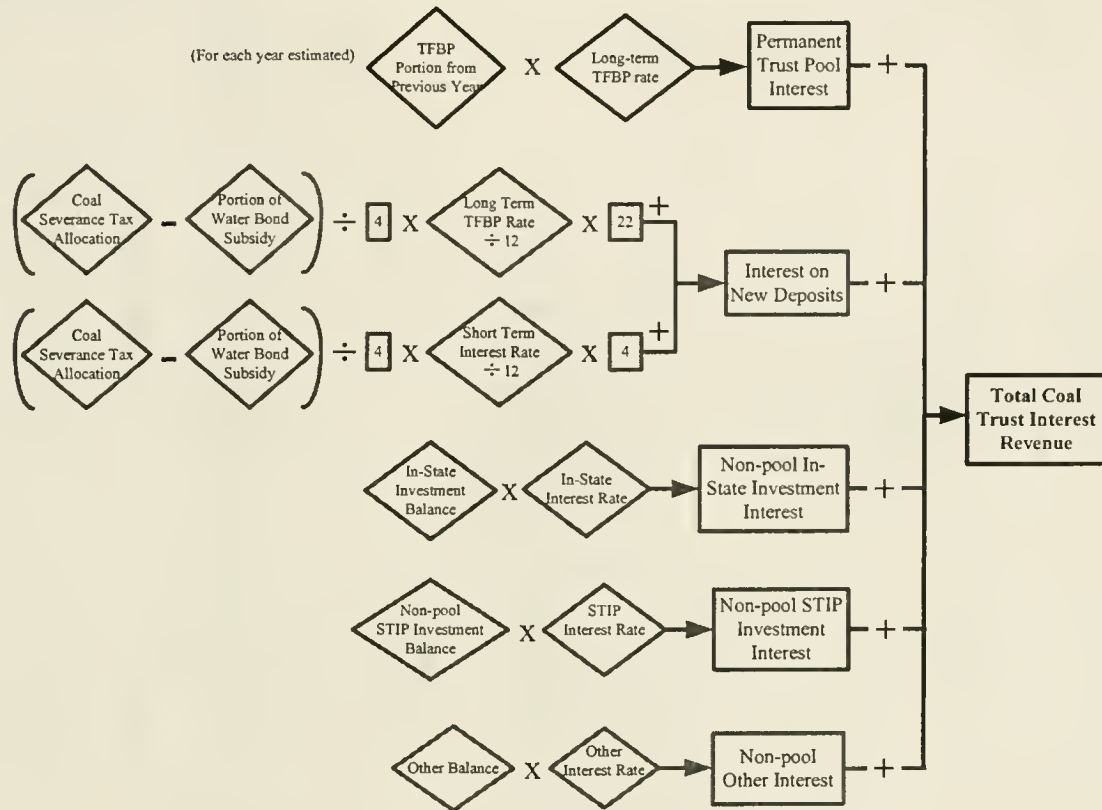


Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Forecast Methodology

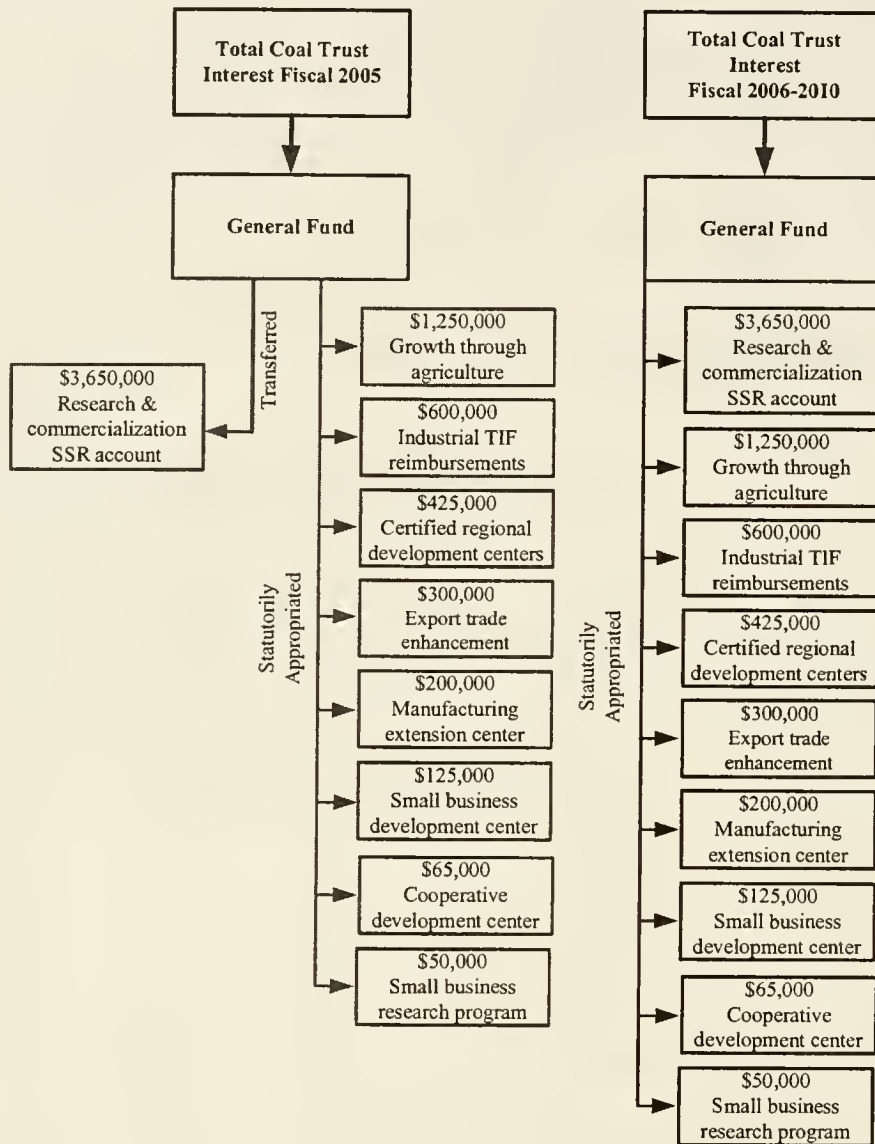


Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	TFBP	In_State	Loan	STIP	Payback
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	39.195203	39.195203					
Actual	2001	37.659527	37.659527					
Actual	2002	37.605247	37.605247	24.373985	8.764717	3.369609	1.096936	
Actual	2003	36.297863	36.297863	21.079491	10.501432	4.328664	0.388276	
Actual	2004	34.907273	34.907273	22.273639	8.721596	3.460652	0.451386	
Forecast	2005	35.999000	35.999000	22.831818	8.418899	3.271684	1.341353	0.135503
Forecast	2006	36.790000	36.790000	23.050494	8.418899	3.085659	1.911659	0.323990
Forecast	2007	37.244000	37.244000	23.282320	8.418899	2.871954	2.130867	0.540523

	t	Net Coal Tax	Bond	New Deposit	Non Pool	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Subsidy</u>	<u>Long Term</u>	<u>STIP</u>	<u>In State</u>	<u>Loan</u>
		<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
Actual	2000	0.000000	0.193782	6.3370%	5.9500%	5.9500%	0.0000%
Actual	2001	0.000000	0.480790	6.8830%	6.6400%	5.7700%	0.0000%
Actual	2002	0.000000	0.264847	6.3370%	3.5945%	5.5860%	7.2673%
Actual	2003	0.000000	0.780492	5.7290%	2.1032%	5.5860%	7.0000%
Actual	2004	3.943085	1.473545	5.3680%	1.9674%	5.3917%	7.3445%
Forecast	2005	3.981000	1.309205	5.4930%	2.9685%	5.3917%	7.3445%
Forecast	2006	3.950000	1.183767	5.8690%	4.3184%	5.3917%	7.3445%
Forecast	2007	4.034000	0.691478	6.1860%	4.8225%	5.3917%	7.3445%

	t	Non Pool	Non Pool	Non Pool	SB495 Loan
	<u>Fiscal</u>	<u>STIP Bal</u>	<u>In-State Bal</u>	<u>Loan Bal</u>	<u>Payment</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	15.334577	127.567412	0.000000	
Actual	2001	22.784722	145.401756	0.000000	
Actual	2002	26.721811	168.249355	46.366904	
Actual	2003	37.107451	169.737929	46.366904	
Actual	2004	41.478106	156.145542	46.366904	
Forecast	2005	41.478106	156.145542	44.546044	1.820860
Forecast	2006	41.478106	156.145542	42.013200	2.532844
Forecast	2007	41.478106	156.145542	39.103464	2.909736

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools generate income. The common school trust is actually part of the trust and legacy trust fund that includes nine other trusts. Prior to fiscal 1996, interest and income from the common school trust was deposited in the state equalization account. Beginning in fiscal 1996, this interest and income was deposited in the general fund, as mandated by SB 83, passed by the 1995 legislature. Beginning fiscal 2003, House Bill 7 from the August 2002 special legislative session changed the deposit to the state special revenue guarantee account and statutorily appropriated the money for schools. The estimates show the amount of revenue deposited to the guarantee account and are net of amounts diverted (of mineral royalties, timber sale revenue, and income) for DNRC administration costs. Included is timber revenue for school technology and the amounts of mineral royalty revenue that is required to pay interest and principal on the SB 495 loan. These items are explained below.

Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust such as income from the sale of minerals (see the effects of Senate Bill 495 from the 2003 legislative session below), land, and easements. Excluding the amount of timber sale revenue diverted for DNRC administration and school technology and after a 3.0 percent deduction of the revenue for use by the Department of Natural Resources and Conservation (DNRC), 95 percent of distributable revenue is available to fund schools and, due to Senate Bill 48 (discussed below), the remaining 5.0 percent is available to fund the Trust Land Management Division of DNRC. The 3.0 percent allocation to DNRC is used for resource development purposes. Timber revenue is allocated: 1) first to DNRC to fund a portion of its timber program based on the amount appropriated by the legislature (the remaining portion is funded with timber sale revenue from the capital land grant and other land trusts that generate timber revenue); 2) the amount received from production over 18 million board feet is deposited into the state special revenue fund for school technology equipment and training and is statutorily appropriated to OPI (House Bill 41 enacted by the 2001 legislature and House Bill 7 from the August 2002 special legislative session); and 3) any remainder for the support of public schools.

Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. The amount of the money diverted from the common school trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds (which include the trust and legacy fund of which the common school trust is a part), were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock. Interest income is distributed 95 percent to the guarantee account and 5 percent is available for DNRC administration with the remainder deposited to the trust.

Senate Bill 495 (enacted by the 2001 legislature) authorized DNRC to purchase the mineral production rights (with a loan from the coal severance trust) from the common school trust. The department subsequently purchased \$138.9 million of future mineral royalties (over an approximate 30-year period) from the school trust for \$46.4 million. Since these royalties will no longer be deposited to the trust, interest earnings from the trust corpus are lessened. However, additional interest earnings are generated from the proceeds of the sale, but it is estimated that interest losses will exceed interest gains after fiscal 2012. It is estimated that the trust balance will be \$94.7 million less after the 30-year period. For further information and analysis on Senate Bill 495 contact the Legislative Fiscal Division for a copy of the two-part report: "Senate Bill 495-Implementation, Impacts and Implications".

Applicable Tax Rate(s): N/A

Distribution: As described above, interest and income from common school lands (including a portion of timber sales and after amounts diverted for DNRC administration) are distributed 95.0 percent to the state special revenue guarantee account and is statutorily appropriated for schools. The remaining 5.0 percent is available to fund the Trust Land Management Division with the remainder deposited to the trust fund. The amounts deposited to the guarantee account are shown in this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Collection Frequency: Revenue is received monthly, however, distribution to the state special revenue fund takes place three times per year.

Major Drivers:

- Interest and bond rates on investments
- Balance in the common school trust fund available for investment
- Revenue received for commodities produced or extracted from trust lands (i.e. grazing and agricultural rents, mineral royalties)
- Diversions of revenue for administration

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Commodity prices
 - Commodity production
- Social Factors – Pressures to increase funding for schools
- Legislative Factors
 - State legislative impacts
 - Prices and rental charges set by the Board of Land Commissioners
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations of revenue for administration
 - Statutory allocation of revenue for administration
 - Diversion of revenue from the common school trust fund (i.e. timber and mineral royalties [SB 495])
 - Federal legislative impacts
 - Influences on national interest and bond rates

Data Source(s): Board of Investments, DNRC - Centralized Services, SABHRS, *Wall Street Journal*, Global Insight

Contacts: Department of Natural Resources and Conservation

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution Article X, Section 5; 20-9-342 (school technology); 20-9-622 (guarantee account)

Other (MCA) – DNRC trust land administration diversion (77-1-109)

DNRC timber sale program diversion (77-1-613)

DNRC land bank administration diversion (77-2-362)

DNRC resource development diversion (77-1-607)

Enabling Act, Section 10

Date Due - the last business day of February following the calendar year in which the money was received (20-9-342).

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

% of Total FY 2004 General Fund Revenue: 0.00%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast common school interest and income is a multi-step process. Estimating total interest and income revenue involves calculating interest income and income derived from school lands, including timber sale revenue.

Interest Income - Interest income is derived from investment of the common school trust funds, as well as interest on land sales. In order to calculate total investment earnings for the common school trust, income must be calculated on three separate components: 1) common school trust portion of the TFBP interest; 2) interest on new deposits; and 3) short-term interest earnings.

The first step involves determining the trust and legacy pool interest earnings. For the first year to be estimated, the applicable portion of the pool at the end of the previous fiscal year is multiplied by the estimated long-term pool interest rate. Subsequent years are estimated by adding the forecast amount of new deposits (less amounts used to fund the Trust Land Management Division) for that year multiplied by the long-term interest rate to the last year's estimate. Investment income on new deposits is calculated by multiplying the forecast amount (less amounts used to fund the Trust Land Management Division) by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term pool interest rate thereafter.

Interest on new deposits (less amounts used to fund the Trust Land Management Division) is calculated by multiplying the forecast amount for trust and legacy income by the appropriate interest rate. The interest rate and invested balance varies in accordance with the timing of when new monies become available. For example, revenues received for the first month of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium. In addition, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

Once the three components have been calculated, the sum of the three is multiplied by the percent of income attributable to the common school trust portion of the trust and legacy trust fund. The product is added to the amount of interest expected from land sales, mineral royalties, and interest on STIP investments, to comprise total common school interest income.

Income From School Lands - Common school income is estimated by first computing the total of six different types of revenue: grazing fees, agricultural fees, miscellaneous fees, oil and gas leases, oil and gas penalties, and miscellaneous rentals. The estimate used for each of these sources comes from historical data trends, economic trends, industry input, and similar sources. Once total income from common school lands (excluding timber sales) is determined, the 3.0 percent of revenues diverted to DNRC for resource development is calculated.

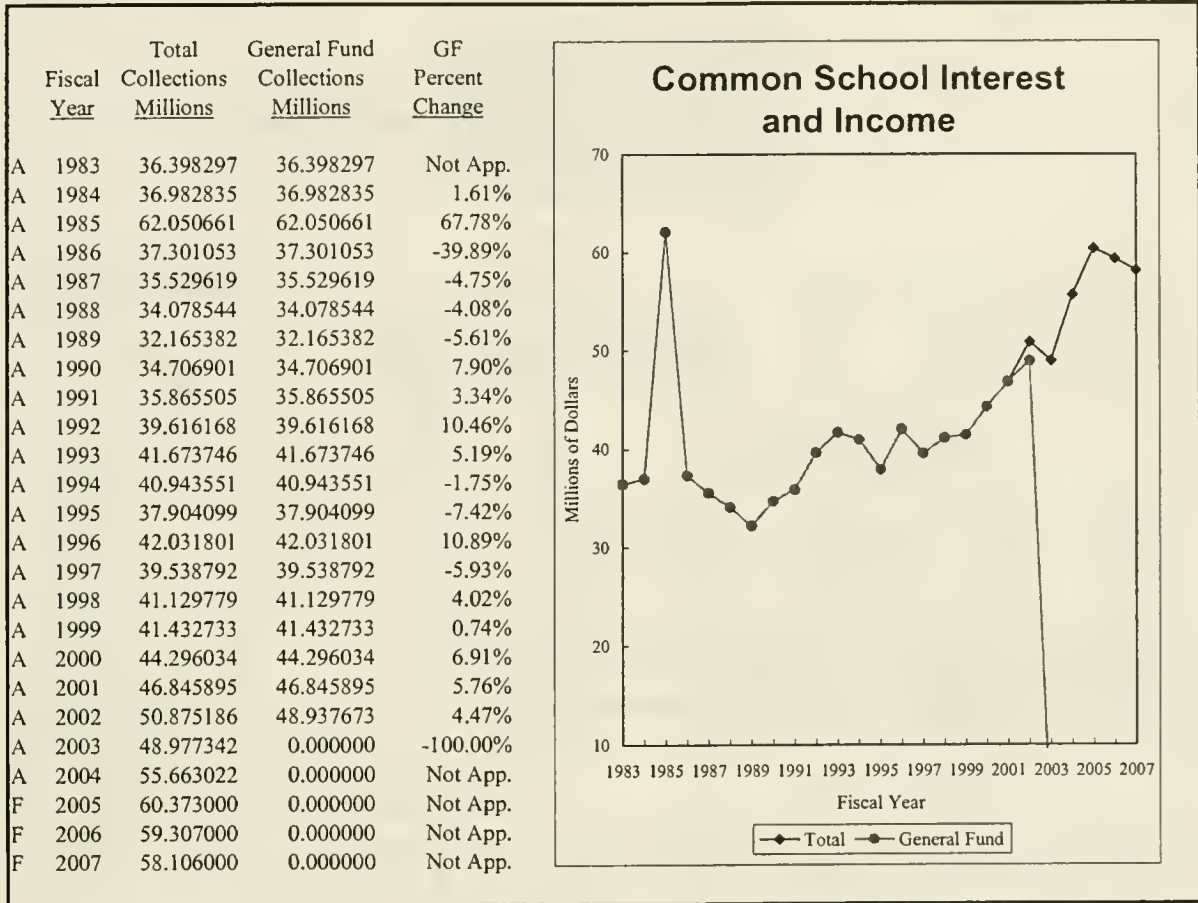
Interest and income revenue is calculated by adding common school income (excluding the portion of DNRC timber sale program appropriations that is applicable to the common school trust timber sales and the portion allocated for school technology) and common school interest then subtracting the resource development diversion. Of this amount, 95 percent is distributed to the guarantee account for schools. Timber sale income allocated for school technology acquisition (the amount from timber production over 18 million board feet) is also deposited to the guarantee account.

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Projection:

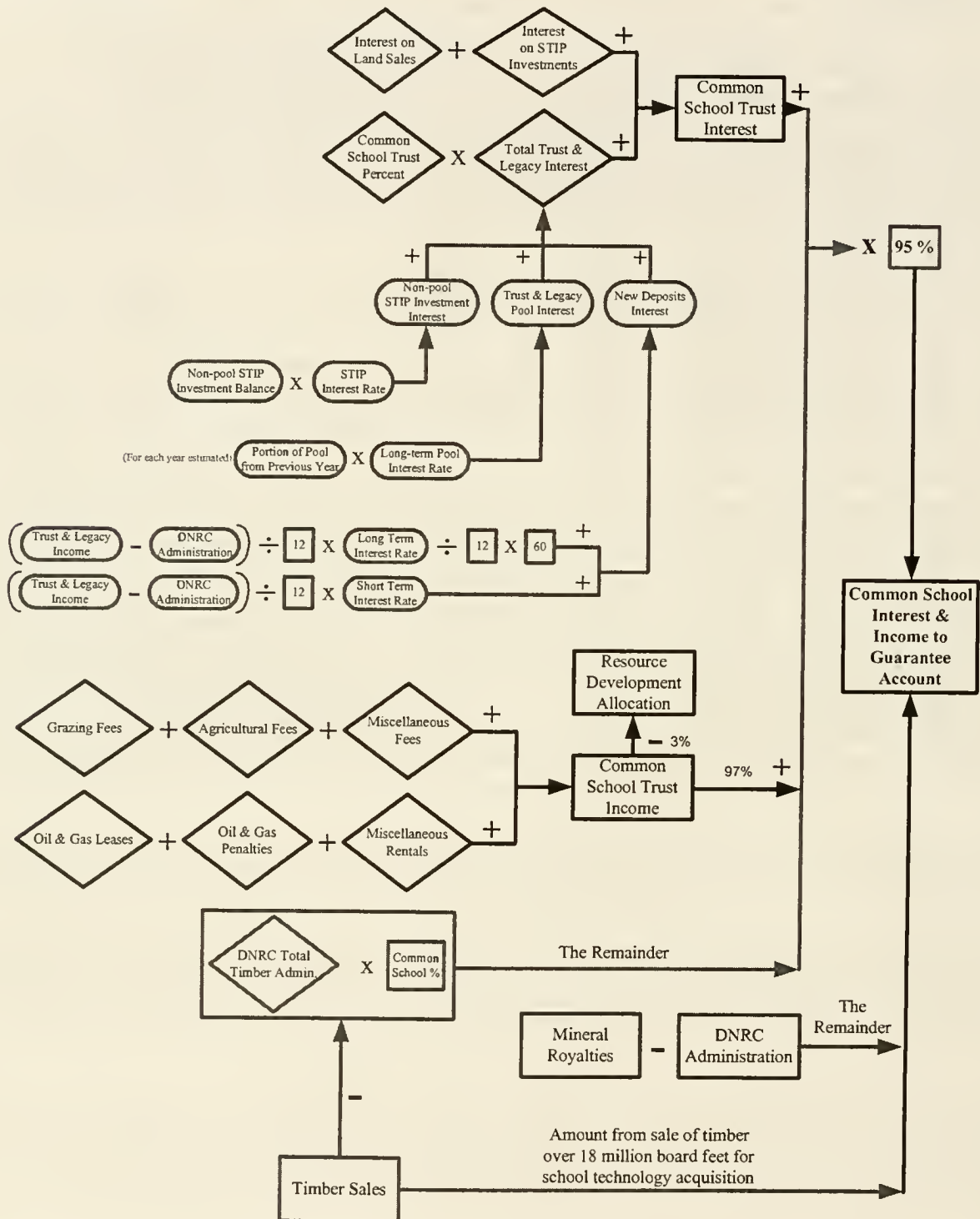


Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Forecast Methodology



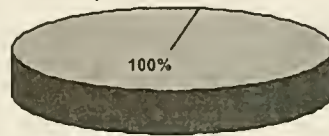
Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Distribution Methodology

State Special Revenue Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>Common</u>	<u>SB495</u>	<u>Trust Land</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>School Share</u>	<u>Loan Pay.</u>	<u>Expense</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&L</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	44.296034	44.296034			0.938562		
Actual	2001	46.845895	46.845895			0.923235		
Actual	2002	50.875186	48.937673	29.670198	0.102471	0.932906		
Actual	2003	48.977342	0.000000	29.146744	0.068370	0.931091	0.000000	-3.477507
Actual	2004	55.663022	0.000000	30.087011	0.053502	0.928698	-1.820860	-3.367569
Forecast	2005	60.373000	0.000000	30.090667	0.293644	0.928698	-2.532844	-3.762020
Forecast	2006	59.307000	0.000000	30.273418	0.351193	0.928698	-2.909736	-3.723091
Forecast	2007	58.106000	0.000000	30.371250	0.389633	0.928698	-2.639808	-3.727938

	<u>t</u>	<u>Trust Income</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>	<u>SB495</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>	<u>Interest</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	10.962021	7.0160%	5.9500%	11.676486	
Actual	2001	12.667782	6.8830%	6.6400%	6.984553	
Actual	2002	2.105811	6.3370%	3.5945%	7.334239	
Actual	2003	2.345732	5.7290%	2.1032%	6.242273	
Actual	2004	2.936728	5.3680%	1.9674%	7.049634	
Forecast	2005	3.326972	5.4930%	2.9685%	7.049634	-3.271684
Forecast	2006	1.666932	5.8690%	4.3184%	7.049634	-3.085659
Forecast	2007	1.666932	6.1860%	4.8225%	7.049634	-2.871954

	<u>t</u>	<u>Grazing</u>	<u>Agriculture</u>	<u>Misc.</u>	<u>O&G Lease</u>	<u>O&G Bonus</u>	<u>O&G Penalty</u>	<u>Misc.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	4.065911	9.053155	0.000000	1.328220	1.277231	0.261334	1.127779
Actual	2001	4.850839	8.376539	0.000000	1.448285	7.118093	0.355322	1.121433
Actual	2002	5.467322	6.998644	0.000000	1.540472	0.478224	0.334699	1.243778
Actual	2003	5.243241	7.974945	0.000000	1.575356	0.300943	0.399347	1.348894
Actual	2004	4.970961	8.051131	0.000000	1.648808	0.870693	0.533758	2.156382
Forecast	2005	6.014863	8.134205	0.000000	1.710287	0.870693	0.300323	1.479381
Forecast	2006	5.383302	8.053427	0.000000	1.750523	0.870693	0.316366	1.567445
Forecast	2007	4.970961	8.026501	0.000000	1.783975	0.870693	0.327899	1.647899

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

	<u>t</u>	<u>Int. Land</u>	<u>Int. STIP</u>	<u>Int. Trust</u>	<u>Timber</u>	<u>Res. Dev.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000566	0.706653	23.905761	5.379555	-0.513416
Actual	2001	0.000290	0.715090	24.206450	1.623592	-0.698124
Actual	2002	0.000063	0.305319	27.775111	3.624785	-0.504023
Actual	2003	0.019744	0.188794	27.201941	3.605510	-0.499362
Actual	2004	0.002900	0.199526	27.991422	6.147357	-0.517845
Forecast	2005	0.003176	0.409780	28.217849	1.950001	-0.555293
Forecast	2006	0.003176	0.592016	28.441015	1.946999	-0.538253
Forecast	2007	0.003176	0.658442	28.567571	1.930999	-0.528838

	<u>t</u>	<u>Total</u>	<u>Timber</u>	<u>School</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>	<u>Other</u>
	<u>Fiscal</u>	<u>Timber</u>	<u>Sales Pgm.</u>	<u>Technology</u>	<u>Royalties</u>	<u>Royalties</u>	<u>Royalties</u>	<u>Royalties</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.067954	-1.688399	0.000000				
Actual	2001	3.200298	-1.576706	0.000000				
Actual	2002	5.753895	-2.129110	1.822162	2.390492	1.523062	2.836919	0.144369
Actual	2003	5.507588	-1.674571	0.000000	3.681611	1.995499	3.877054	0.148393
Actual	2004	9.244105	-2.952003	3.178988	4.851597	2.718035	4.676964	0.169754
Forecast	2005	8.688036	-3.228036	1.600000	6.249826	3.523033	6.480205	0.173178
Forecast	2006	8.936471	-3.366471	1.700000	6.166049	3.692504	5.330303	0.173178
Forecast	2007	8.885449	-3.371449	1.700000	6.351832	3.576332	4.185829	0.173178

	<u>t</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>	<u>Oil</u>	<u>Gas</u>	<u>Coal</u>
	<u>Fiscal</u>	<u>Production</u>	<u>Production</u>	<u>Production</u>	<u>Price</u>	<u>Price</u>	<u>Price</u>
		<u>Barrels</u>	<u>MCF's</u>	<u>Tons</u>	<u>\$/Barrel</u>	<u>\$/MCF</u>	<u>\$/Ton</u>
Actual	2000	0.923777	5.050552	3.273552	21.666084	1.732951	10.980000
Actual	2001	0.889786	6.294741	3.285378	28.029154	3.775439	11.440000
Actual	2002	0.911057	5.892287	1.835880	21.394771	2.249212	11.500000
Actual	2003	1.017463	5.380950	3.494901	28.140000	3.200000	9.590000
Actual	2004	1.122987	5.720200	3.911826	31.020000	3.950000	8.600000
Forecast	2005	1.340506	6.408044	6.056798	35.863760	4.398263	8.559248
Forecast	2006	1.532037	7.011222	5.020664	30.959529	4.213250	8.493384
Forecast	2007	1.694761	7.526791	3.932936	28.830171	3.801176	8.514411

Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Revenue Description: Beginning in fiscal 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. The 1997 legislature appropriated \$3.9 million from the cultural trust fund for the immediate purchase of Virginia and Nevada City properties. This action resulted in a loss of trust interest revenue that otherwise would be used to fund cultural and aesthetic (C&A) projects in the state during the 1999 biennium. Thus, beginning July 1, 1997, and ending June 30, 1999, 0.87 percent in coal severance tax revenue was allocated to an account in the state special revenue fund to compensate for the lost interest earnings and the previous 0.63 percent distribution of coal severance tax to the cultural trust was eliminated. Except for fiscal 2003, beginning July 1, 1999, the amount of 0.63 percent is once again statutorily allocated to the cultural trust, the interest from which is to be used for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. The August 2002 special legislative session eliminated the allocation for fiscal 2003 only.

Applicable Tax Rate(s): N/A

Distribution: All income from the trust is deposited in a state special revenue fund to be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on loans and investments
- Balance in the culture trust fund available for investment

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Coal price
 - Coal production costs
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Coal severance tax and distribution related changes
 - Fund transfers from the cultural trust corpus
 - Federal legislative impacts
 - Influences on national interest and bond rates

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts:

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 15-35-108(6), 22-2-305

Date Due - NA

Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast Cultural trust interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on three separate components: 1) cultural trust pool interest; 2) interest on new deposits; and 3) short-term interest earnings.

As of October 1, 1995, all fixed-income investments held by the state’s major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The first step involves determining the TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding the forecast amount of the coal tax allocation for that year multiplied by the long-term interest rate to the last year’s estimate. Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter. Coal severance tax collections are forecast as part of the coal severance tax methodology.

Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections by the appropriate interest rate. The invested balance varies in accordance with the timing of when new monies become available. For example, coal severance tax collections due for the first quarter of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium.

Finally, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

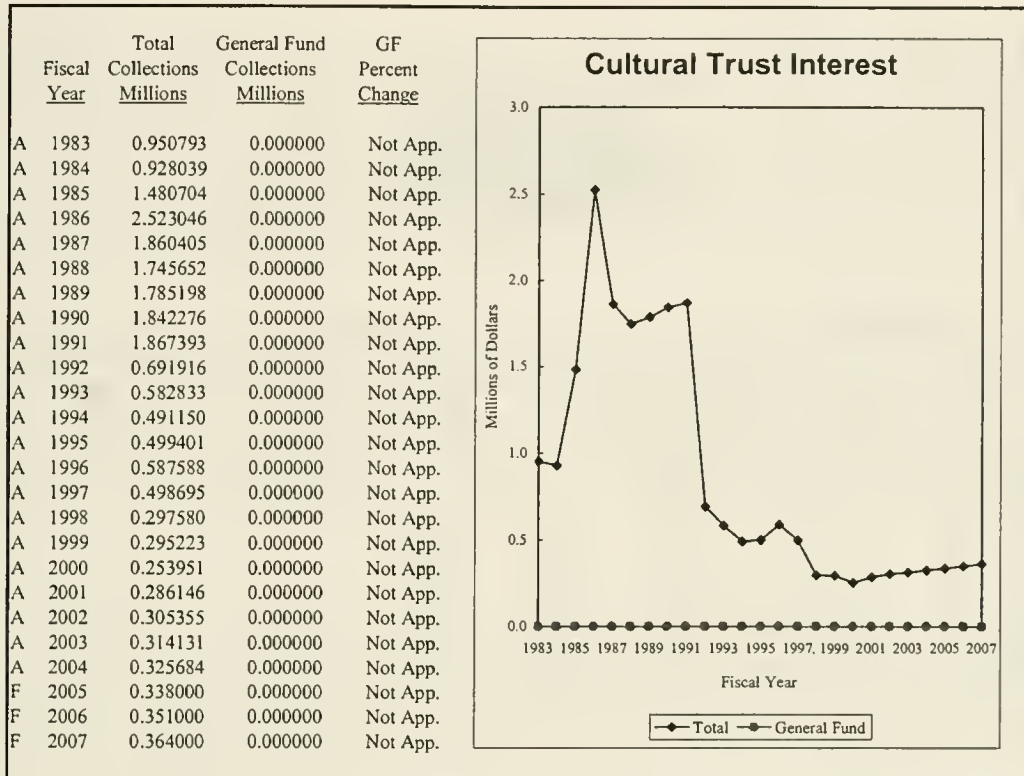
Once investment income has been calculated for these three components, the sum of these comprises total cultural trust investment income.

Legislative Fiscal Division

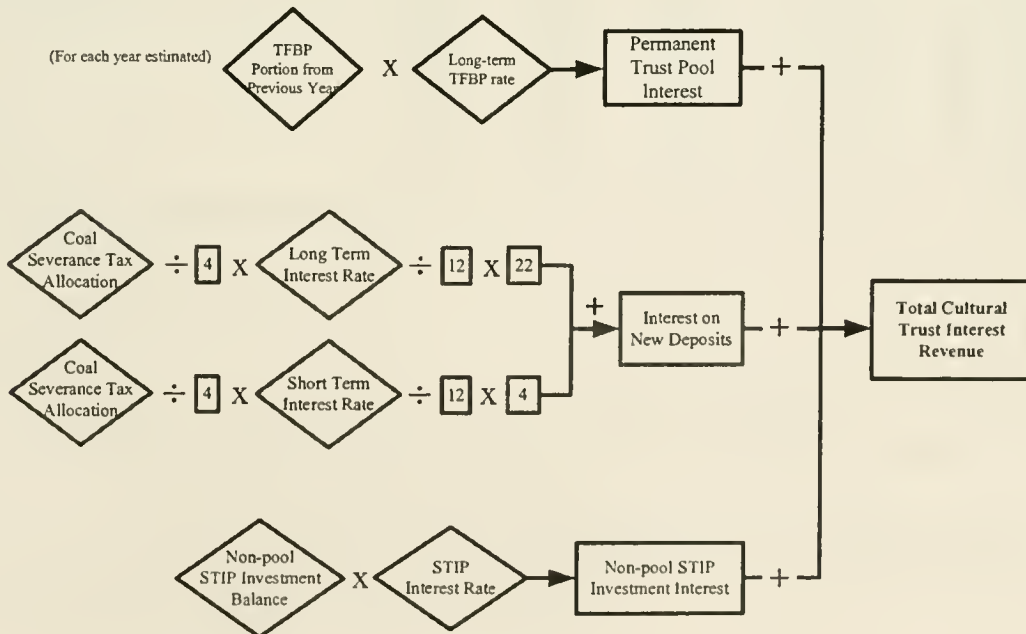
Revenue Estimate Profile

Cultural Trust Interest

Revenue Projection:



Forecast Methodology



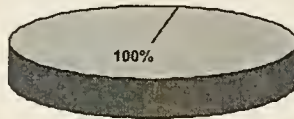
Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Distribution Methodology

State Special Revenue Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>
Actual	2000	0.253951	0.000000		
Actual	2001	0.286146	0.000000		
Actual	2002	0.305355	0.000000	0.304399	0.000955
Actual	2003	0.314131	0.000000	0.310495	0.003636
Actual	2004	0.325684	0.000000	0.324526	0.001158
Forecast	2005	0.338000	0.000000	0.329891	0.008404
Forecast	2006	0.351000	0.000000	0.341371	0.009887
Forecast	2007	0.364000	0.000000	0.353050	0.010836

	<u>t</u>	<u>Net Coal Tax</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	0.212426	7.0160%	5.9500%	0.249639
Actual	2001	0.203724	6.8830%	6.6400%	0.028633
Actual	2002	0.199168	6.3370%	3.5945%	0.102287
Actual	2003	0.000000	5.7290%	2.1032%	0.062902
Actual	2004	0.198731	5.3680%	1.9674%	0.088412
Forecast	2005	0.209000	5.4930%	2.9685%	0.088412
Forecast	2006	0.199000	5.8690%	4.3184%	0.088412
Forecast	2007	0.203000	6.1860%	4.8225%	0.088412

Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for support of the School for the Deaf and Blind. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Deaf and Blind trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of any trust funds in common stock.

In accordance with statute, 3.0 percent of Deaf and Blind trust interest and income is diverted to the Department of Natural Resources and Conservation (DNRC) to be used for resource development purposes. Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. In addition, a portion of timber sale revenue is diverted to fund a portion of DNRC's timber program. The amount of the money diverted from the Deaf and Blind trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

Applicable Tax Rate(s): N/A

Distribution: Interest and income from the trust, net of amounts to fund DNRC administration, are allocated to the School for the Deaf and Blind.

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on investments
- Balance in the Deaf and Blind trust fund available for investment
- Revenue received for commodities produced or extracted from trust lands (i.e. grazing and agricultural rents, mineral royalties)
- Diversions of revenue for administration

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Commodity prices
 - Commodity production
- Social Factors – None
- Legislative Factors
 - State legislative impacts
 - Prices and rental charges set by the Board of Land Commissioners
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations of revenue for administration
 - Statutory allocation of revenue for administration
 - Diversion of revenue from the Deaf and Blind trust fund (i.e. timber and mineral royalties)
 - Federal legislative impacts
 - Influences on national interest and bond rates

Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight, Department of Natural Resources and Conservation

Contacts: Department of Natural Resources and Conservation

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 20-8-110

Other (MCA) – DNRC trust land administration diversion (77-1-109)

DNRC timber sale program diversion (77-1-613)

DNRC land bank administration diversion (77-2-362)

DNRC resource development diversion (77-1-607)

Enabling Act, Sections 11 & 17

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast Deaf and Blind trust interest and income is a multi-step process.

Interest

Interest is derived from investment of the Deaf and Blind trust fund, as well as from interest on land sales. In order to calculate total investment earnings for the trust, income must be calculated on three separate components: 1) trust and legacy trust pool interest; 2) interest on new deposits; and 3) short-term interest earnings.

The first step involves determining the trust and legacy pool interest earnings. For the first year to be estimated, the applicable portion of the pool at the end of the previous fiscal year is multiplied by the estimated long-term pool interest rate. Subsequent years are estimated by adding the forecast amount of new deposits (less amounts used to fund the Trust Land Management Division) for that year multiplied by the long-term interest rate to the last year’s estimate. Investment income on new deposits is calculated by multiplying the forecast amount (less amounts used to fund the Trust Land Management Division) by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term pool interest rate thereafter.

Interest on new deposits (less amounts used to fund DNRC’s timber sale program) is calculated by multiplying the forecast amount for trust and legacy income by the appropriate interest rate. The interest rate and invested balance varies in accordance with the timing of when new monies become available. For example, revenues received for the first month of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium. In addition, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

Once interest has been calculated for these three components, the sum of the three is multiplied by the percent of income attributable to the Deaf and Blind trust portion of the trust and legacy trust fund. This number is added to the amount of interest expected from land sales and interest on STIP investments, to comprise total Deaf and Blind trust interest income.

Legislative Fiscal Division

Revenue Estimate Profile

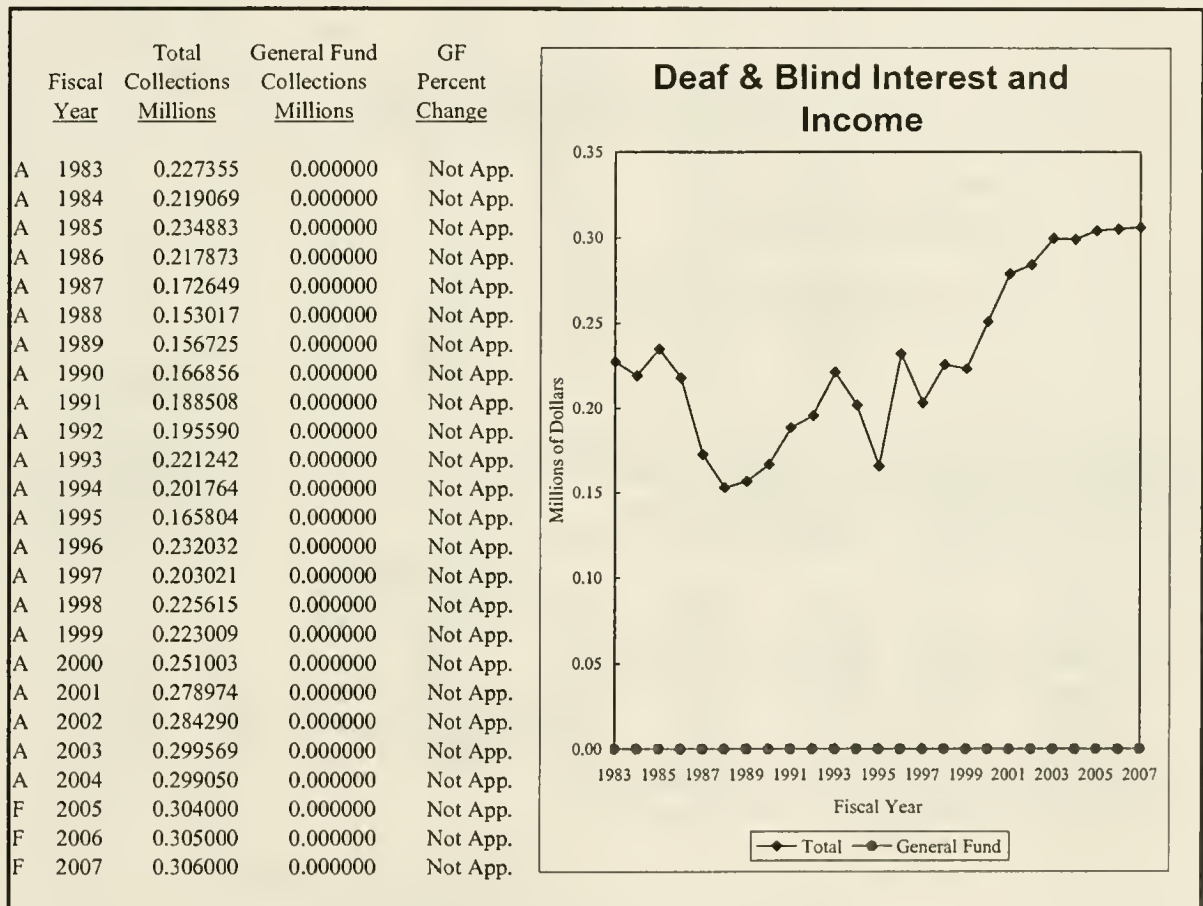
Deaf and Blind Trust Interest and Income

Income

Deaf and Blind trust income is estimated by computing the total of six different types of revenue: grazing fees, agricultural fees, miscellaneous fees, oil and gas leases, oil and gas penalties, and miscellaneous rentals. Once total income is determined, the 3.0 percent diversion to DNRC is calculated.

Total interest and income is calculated by summing total Deaf and Blind trust income and interest less DNRC's resource development and trust land administration diversions. The amount of the money diverted from the Pine Hills trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

Revenue Projection:

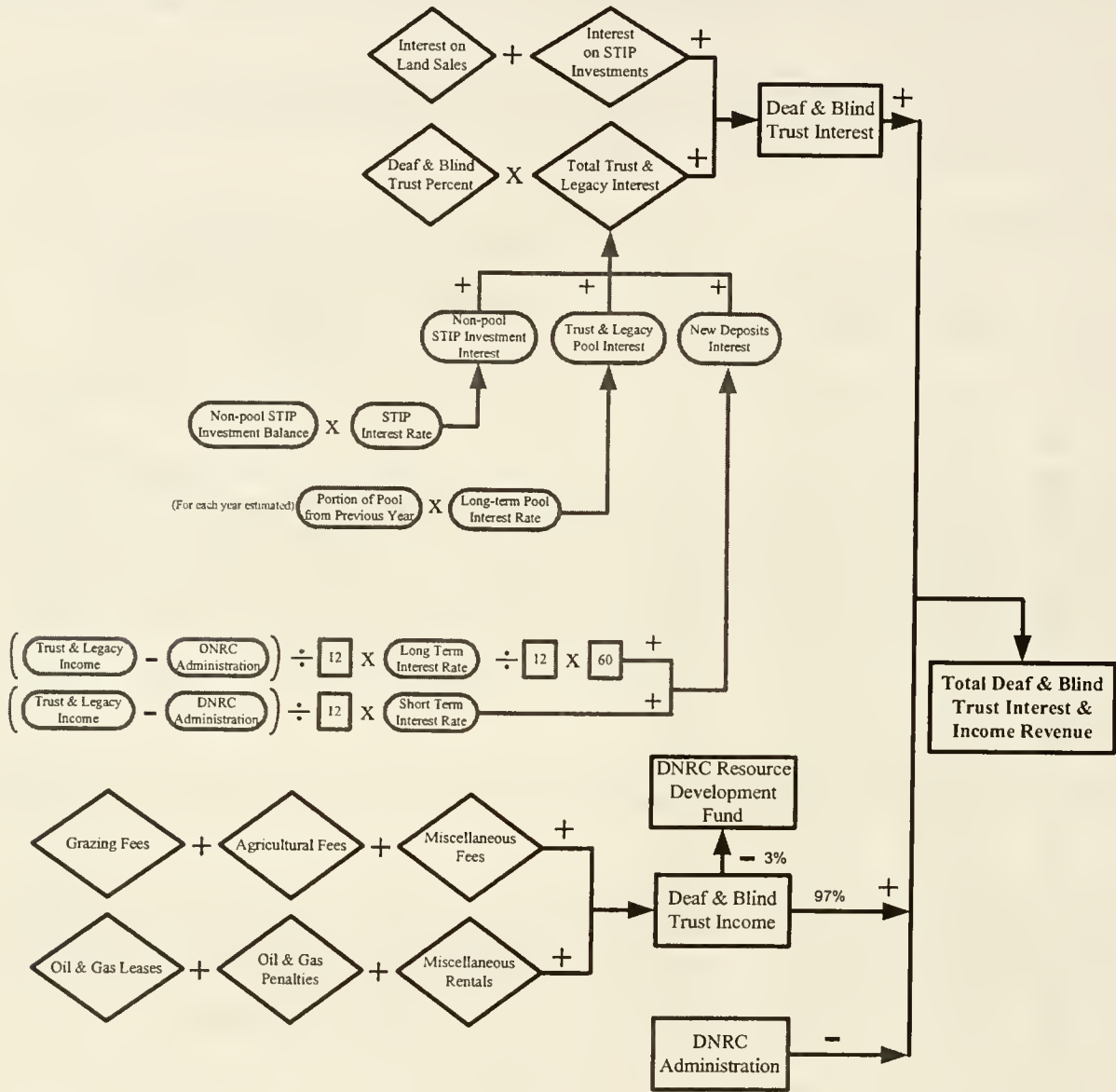


Legislative Fiscal Division

Revenue Estimate Profile

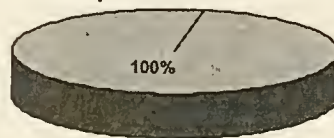
Deaf and Blind Trust Interest and Income

Forecast Methodology



Distribution Methodology

State Special Revenue Fund



Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	TFBP	STIP	Deaf &
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Blind Share</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&L</u>
Actual	2000	0.251003	0.000000			0.006369
Actual	2001	0.278974	0.000000			0.007485
Actual	2002	0.284290	0.000000	29.670198	0.102471	0.006697
Actual	2003	0.299569	0.000000	29.146744	0.068370	0.006947
Actual	2004	0.299050	0.000000	30.087011	0.053502	0.007029
Forecast	2005	0.304000	0.000000	30.090667	0.293644	0.007029
Forecast	2006	0.305000	0.000000	30.273418	0.351193	0.007029
Forecast	2007	0.306000	0.000000	30.371250	0.389633	0.007029

	t	Trust Income	Trust Land	New Deposit	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Admin.</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	10.962021		7.0160%	5.9500%	11.676486
Actual	2001	12.667782	0.000000	6.8830%	6.6400%	6.984553
Actual	2002	2.105811	0.000000	6.3370%	3.5945%	7.334239
Actual	2003	2.345732	0.000000	5.7290%	2.1032%	6.242273
Actual	2004	2.936728	0.000000	5.3680%	1.9674%	7.049634
Forecast	2005	3.326972	0.000000	5.4930%	2.9685%	7.049634
Forecast	2006	1.666932	0.000000	5.8690%	4.3184%	7.049634
Forecast	2007	1.666932	0.000000	6.1860%	4.8225%	7.049634

	t	Grazing	Agriculture	Misc.	O&G Lease	O&G Bonus	O&G Penalty	Misc.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.030113	0.008628	0.000000	0.001980	0.001280	0.000000	0.046783
Actual	2001	0.040496	0.020937	0.000000	0.001440	0.000480	0.000000	0.019365
Actual	2002	0.040733	0.014776	0.000000	0.001740	0.000050	0.000000	0.027618
Actual	2003	0.042676	0.022940	0.000000	0.001740	0.000000	0.000000	0.029242
Actual	2004	0.038658	0.016168	0.000000	0.001740	0.000000	0.000000	0.030636
Forecast	2005	0.040641	0.021958	0.000000	0.001740	0.000000	0.000000	0.029165
Forecast	2006	0.040677	0.020866	0.000000	0.001740	0.000000	0.000000	0.029681
Forecast	2007	0.040663	0.020734	0.000000	0.001740	0.000000	0.000000	0.029827

	t	Int. Land	Int. STIP	Int. Trust	Timber	Res. Dev.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000	0.162218	0.000000	-0.002664
Actual	2001	0.000000	0.000000	0.196256	0.000000	-0.002482
Actual	2002	0.000000	0.000000	0.199373	0.000000	-0.002548
Actual	2003	0.000000	0.000000	0.202971	0.000000	-0.002898
Actual	2004	0.000000	0.000000	0.211848	0.000000	-0.002616
Forecast	2005	0.000000	0.000000	0.213571	0.000000	-0.002805
Forecast	2006	0.000000	0.000000	0.215260	0.000000	-0.002789
Forecast	2007	0.000000	0.000000	0.216218	0.000000	-0.002789

Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Revenue Description: Beginning in fiscal 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust (parks trust) and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. Except for fiscal 2003, the amount of 1.27 percent of coal tax revenues is statutorily allocated to the parks trust for the purpose of parks acquisition or management. The August 2002 special legislative session eliminated the allocation for fiscal 2003 only. Income from the parks trust must be appropriated for the acquisition, development, operation, and maintenance of state parks, state recreational areas, state monuments, and state historical sites under control of the Department of Fish, Wildlife and Parks.

Applicable Tax Rate(s): N/A

Distribution: Interest earnings on the parks trust are allocated to the Department of Fish, Wildlife, and Parks and deposited to a state special revenue fund.

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on loans and investments
- Balance in the culture trust fund available for investment

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Coal price
 - Coal production costs
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Coal severance tax and distribution related changes
 - Fund transfers from the parks trust corpus
 - Federal legislative impacts
 - Influences on national interest and bond rates

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts:

Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 15-35-108(4)
Date Due - NA

% of Total FY 2004 General Fund Revenue: N/A

Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast parks trust interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on three separate components: 1) parks trust pool interest; 2) interest on new deposits; and 3) short-term interest earnings.

As of October 1, 1995, all fixed-income investments held by the state’s major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The first step involves determining the TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding the forecast amount of the coal tax allocation for that year multiplied by the long-term interest rate to the last year’s estimate. Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter. Coal severance tax collections are forecast as part of the coal severance tax methodology.

Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections by the appropriate interest rate. The invested balance varies in accordance with the timing of when new monies become available. For example, coal severance tax collections due for the first quarter of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium. (Coal severance tax collections are forecast as part of the coal severance tax methodology.)

Finally, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

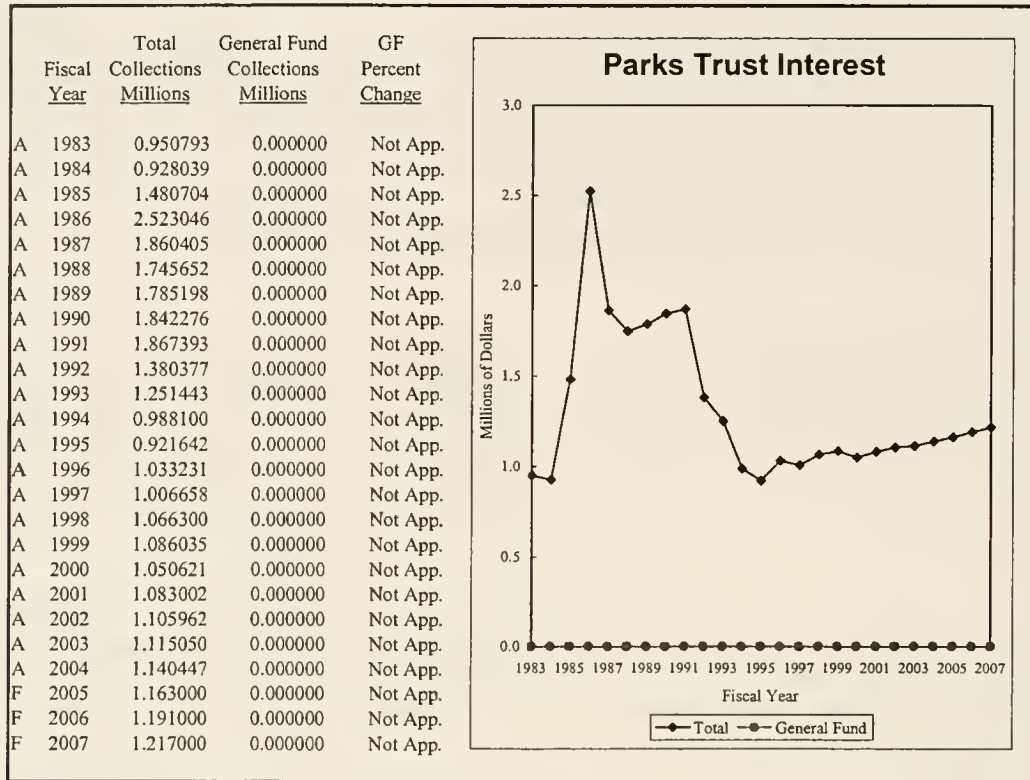
Once investment income has been calculated for these three components, the sum of these comprises total parks trust investment income.

Legislative Fiscal Division

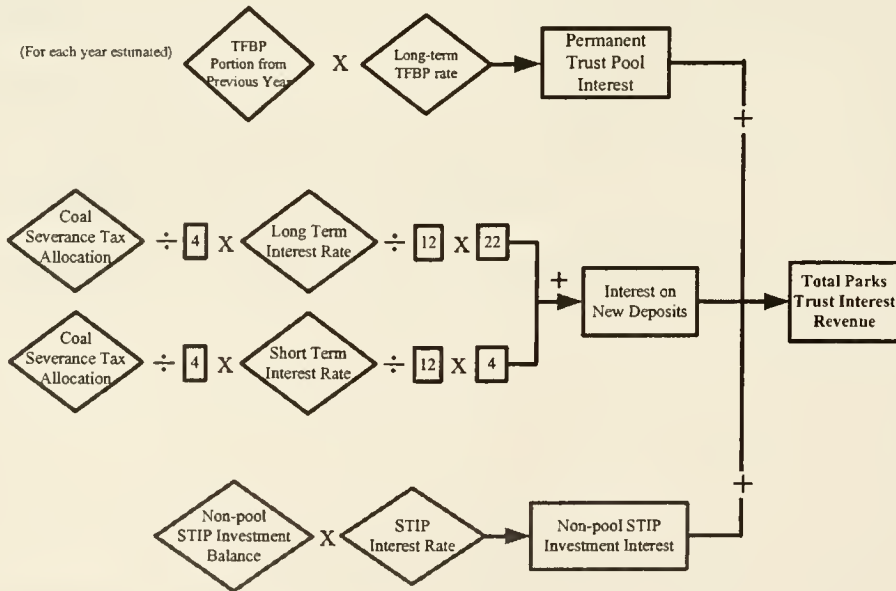
Revenue Estimate Profile

Parks Trust Interest

Revenue Projection:



Forecast Methodology



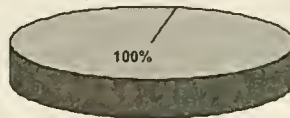
Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Distribution Methodology

State Special Revenue Fund



Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	TFBP	STIP
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>
Actual	2000	1.050621	0.000000		
Actual	2001	1.083002	0.000000		
Actual	2002	1.105962	0.000000	1.100428	0.005534
Actual	2003	1.115050	0.000000	1.101342	0.013709
Actual	2004	1.140447	0.000000	1.138429	0.002019
Forecast	2005	1.163000	0.000000	1.142022	0.021406
Forecast	2006	1.191000	0.000000	1.165202	0.026396
Forecast	2007	1.217000	0.000000	1.188737	0.029092

	t	Net Coal Tax	New Deposit	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	0.450466	6.3370%	5.9500%	0.301775
Actual	2001	0.410682	6.8830%	6.6400%	0.177151
Actual	2002	0.401498	6.3370%	3.5945%	0.140270
Actual	2003	0.000000	5.7290%	2.1032%	0.328045
Actual	2004	0.400617	5.3680%	1.9674%	0.328045
Forecast	2005	0.422000	5.4930%	2.9685%	0.328045
Forecast	2006	0.401000	5.8690%	4.3184%	0.328045
Forecast	2007	0.410000	6.1860%	4.8225%	0.328045

Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for the support of the Pine Hills youth correctional facility. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Pine Hills trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of any trust funds in common stock.

In accordance with statute, 3.0 percent of Pine Hills interest and income is diverted to the Department of Natural Resources and Conservation (DNRC) to be used for resource development purposes. Senate Bill 48, passed by the 1999 legislature, provides for the diversion of the following funds for the purpose of funding the Trust Land Management Division in the DNRC: 1) mineral royalties; 2) revenues from the sale of easements; and 3) 5.0 percent of interest and income previously credited to the common school trust. In addition, a portion of timber sale revenue is diverted to fund a portion of DNRC's timber program. The amount of the money diverted from the Pine Hills trust reduces the growth of the trust fund balance and, hence, reduces the amount of distributable interest earnings.

Applicable Tax Rate(s): N/A

Distribution: Interest and income from the trust, net of amounts to fund DNRC administration, is allocated to the Department of Corrections for support of the Pine Hills youth correctional facility.

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on investments
- Balance in the Deaf and Blind trust fund available for investment
- Revenue received for commodities produced or extracted from trust lands (i.e. grazing and agricultural rents, mineral royalties)
- Diversions of revenue for administration

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Commodity prices
 - Commodity production
- Social Factors – None
- Legislative Factors
 - State legislative impacts
 - Prices and rental charges set by the Board of Land Commissioners
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations of revenue for administration
 - Statutory allocation of revenue for administration
 - Diversion of revenue from the Pine Hills trust fund (i.e. timber and mineral royalties)
 - Federal legislative impacts
 - Influences on national interest and bond rates

Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight, Department of Natural Resources and Conservation

Contacts: Department of Natural Resources and Conservation

Statute:

Tax Rate – NA

Distribution (MCA) – 17-3-1003

Other (MCA) – DNRC trust land administration diversion (77-1-109)

DNRC timber sale program diversion (77-1-613)

DNRC land bank administration diversion (77-2-362)

DNRC resource development diversion (77-1-607)

Enabling Act, Sections 11 & 17

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast Pine Hills interest and income is a multi-step process.

Interest

Interest is derived from investment of the Pine Hills trust fund, as well as from interest on land sales. In order to calculate total investment earnings for the trust, income must be calculated on three separate components: 1) trust and legacy trust pool interest; 2) interest on new deposits; and 3) short term interest earnings.

The first step involves determining the trust and legacy pool interest earnings. For the first year to be estimated, the applicable portion of the pool at the end of the previous fiscal year is multiplied by the estimated long-term pool interest rate. Subsequent years are estimated by adding the forecast amount of new deposits (less amounts used to fund the Trust Land Management Division) for that year multiplied by the long-term interest rate to the last year's estimate. Investment income on new deposits is calculated by multiplying the forecast amount (less amounts used to fund the Trust Land Management Division) by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term pool interest rate thereafter.

Interest on new deposits (less amounts used to fund DNRC's timber sale program) is calculated by multiplying the forecast amount for trust and legacy income by the appropriate interest rate. The interest rate and invested balance varies in accordance with the timing of when new monies become available. For example, revenues received for the first month of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium. In addition, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

Once interest has been calculated for these three components, the sum of the three is multiplied by the percent of income attributable to the Pine Hills trust portion of the trust and legacy trust fund. This number is added to the amount of interest expected from land sales and interest on STIP investments, to comprise total Pine Hills trust interest income.

Legislative Fiscal Division

Revenue Estimate Profile

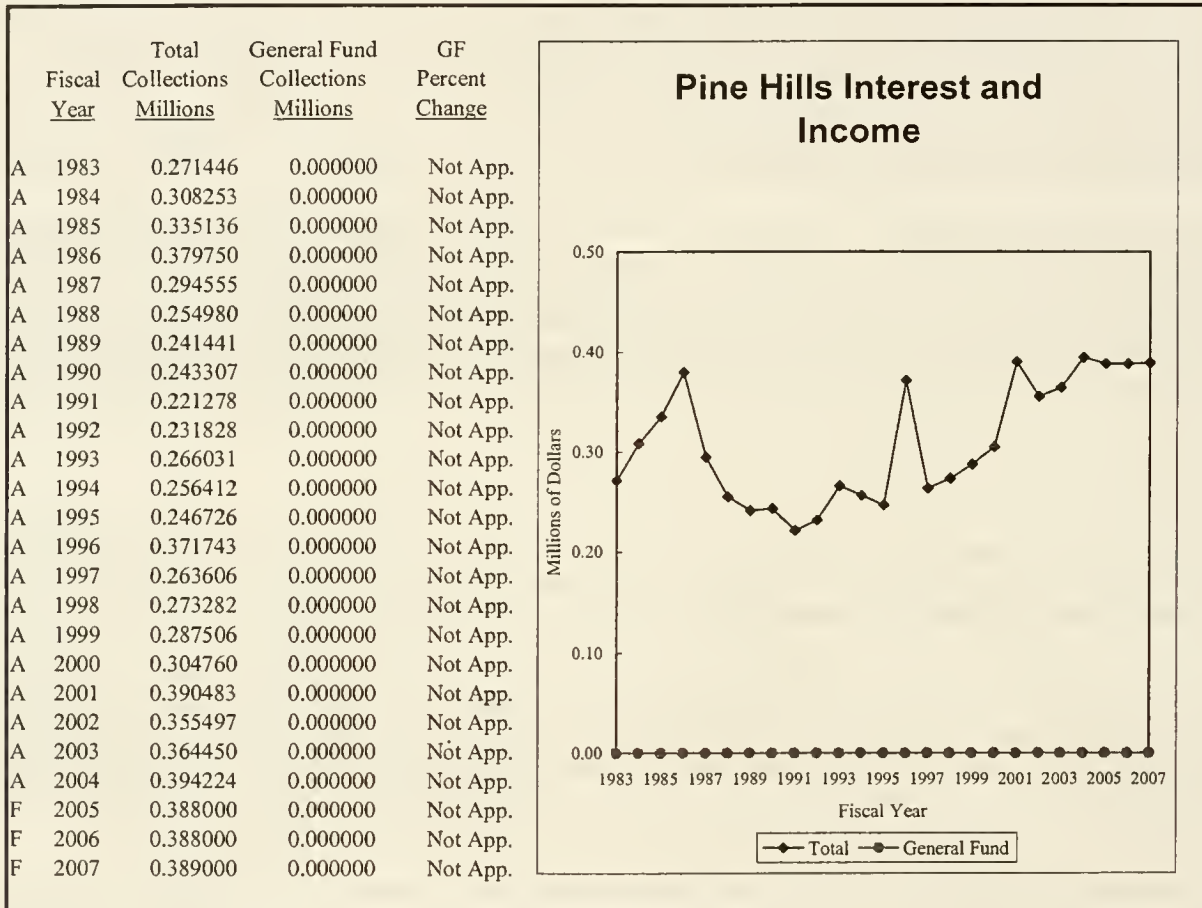
Pine Hills Interest and Income

Income

Pine Hills trust income is estimated by computing the total of six different types of revenue: grazing fees, agricultural fees, miscellaneous fees, oil and gas leases, oil and gas penalties, and miscellaneous rentals. Once total income is determined, the 3.0 percent allocation to DNRC is calculated.

Total interest and income is calculated by summing total Pine Hills trust income and interest less DNRC's resource development and trust land administration diversions.

Revenue Projection:

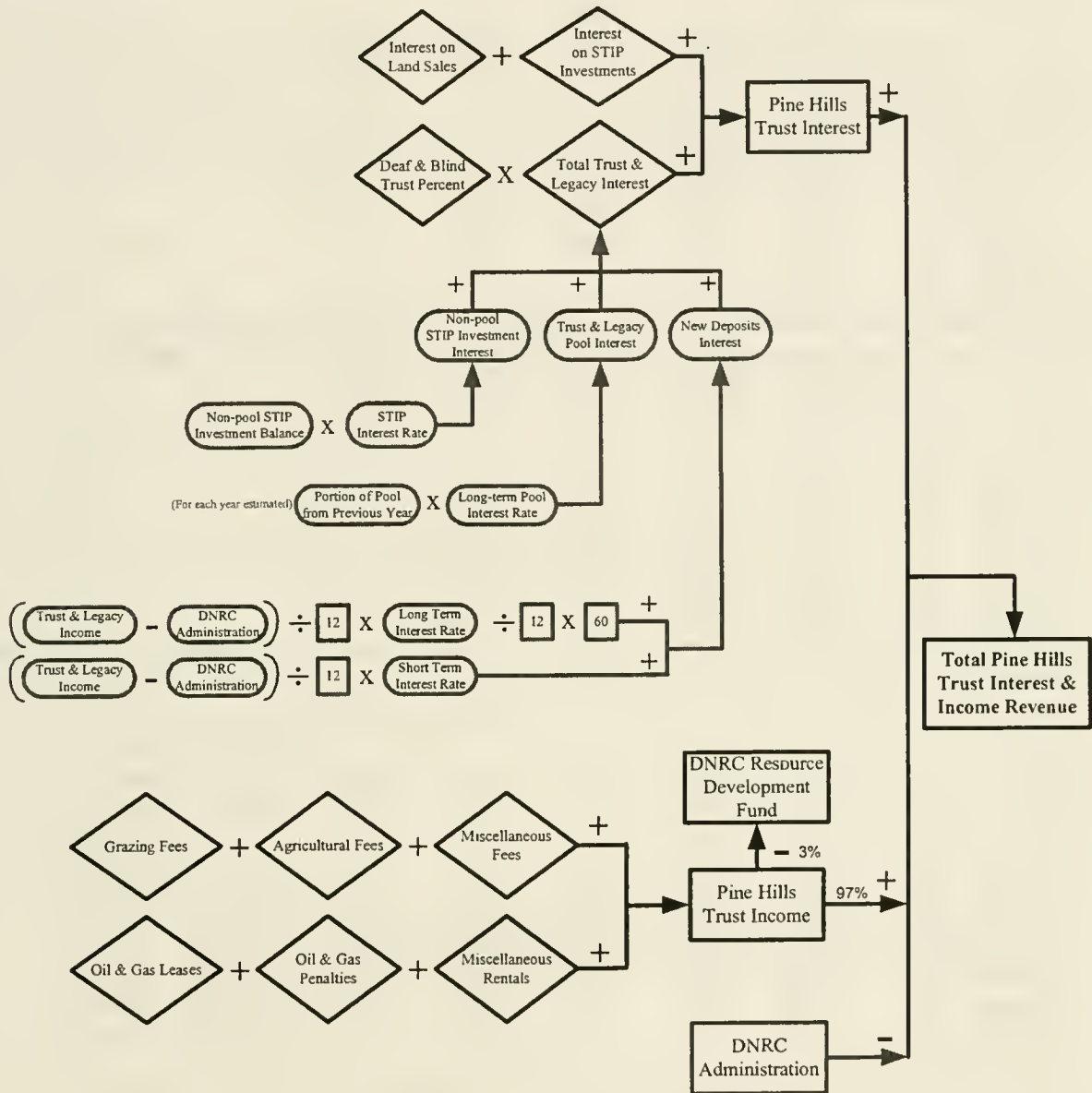


Legislative Fiscal Division

Revenue Estimate Profile

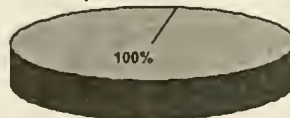
Pine Hills Interest and Income

Forecast Methodology



Distribution Methodology

State Special Revenue Fund



Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	TFBP	STIP	Pine
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Hills Share</u>
				<u>Millions</u>	<u>Millions</u>	<u>T&L</u>
Actual	2000	0.304760	0.000000			0.006048
Actual	2001	0.390483	0.000000			0.006167
Actual	2002	0.355497	0.000000	29.670198	0.102471	0.005835
Actual	2003	0.364450	0.000000	29.146744	0.068370	0.006580
Actual	2004	0.394224	0.000000	30.087011	0.053502	0.007114
Forecast	2005	0.388000	0.000000	30.090667	0.293644	0.007114
Forecast	2006	0.388000	0.000000	30.273418	0.351193	0.007114
Forecast	2007	0.389000	0.000000	30.371250	0.389633	0.007114

	t	Trust Income	Trust Land	New Deposit	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Admin.</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	10.962021		7.0160%	5.9500%	11.676486
Actual	2001	12.667782	0.000000	6.8830%	6.6400%	6.984553
Actual	2002	2.105811	0.000000	6.3370%	3.5945%	7.334239
Actual	2003	2.345732	0.000000	5.7290%	2.1032%	6.242273
Actual	2004	2.936728	0.000000	5.3680%	1.9674%	7.049634
Forecast	2005	3.326972	0.000000	5.4930%	2.9685%	7.049634
Forecast	2006	1.666932	0.000000	5.8690%	4.3184%	7.049634
Forecast	2007	1.666932	0.000000	6.1860%	4.8225%	7.049634

	t	Grazing	Agriculture	Misc.	O&G Lease	O&G Bonus	O&G Penalty	Misc.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.054682	0.022855	0.047965	0.021231	0.000000	0.003895	0.000000
Actual	2001	0.063912	0.013002	0.056236	0.023526	0.066599	0.005510	0.000000
Actual	2002	0.077707	0.016967	0.058062	0.021550	0.000000	0.007482	0.000000
Actual	2003	0.070606	0.019163	0.059332	0.020743	0.000000	0.002359	0.000000
Actual	2004	0.071968	0.022278	0.059705	0.023583	0.000000	0.002283	0.000000
Forecast	2005	0.073427	0.020753	0.059033	0.022102	0.000000	0.002321	0.000000
Forecast	2006	0.072000	0.020116	0.059357	0.022393	0.000000	0.002302	0.000000
Forecast	2007	0.072465	0.020194	0.059365	0.022015	0.000000	0.002312	0.000000

	t	Int. Land	Int. STIP	Int. Trust	Timber	Res. Dev.
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000086	0.154047	0.000000	-0.004521
Actual	2001	0.000000	0.000000	0.161698	0.000000	-0.006864
Actual	2002	0.000000	0.000000	0.173729	0.000000	-0.005450
Actual	2003	0.000000	0.000000	0.192247	0.000000	-0.005166
Actual	2004	0.000000	0.000000	0.214407	0.000000	-0.005395
Forecast	2005	0.000000	0.000000	0.216154	0.000000	-0.005329
Forecast	2006	0.000000	0.000000	0.217863	0.000000	-0.005285
Forecast	2007	0.000000	0.000000	0.218833	0.000000	-0.005291

Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Revenue Description: The 1999 legislature (Senate Bill 220) created the Treasure State Endowment (TSE) Regional Water System Fund within the permanent coal tax trust fund. The fund receives 25 percent of total coal severance tax collections through June 2016. Interest earned on the fund is used to provide matching funds to plan and construct regional drinking water systems in Montana and fund state and local entity administrative expenses. Except for administrative expenses, each state dollar must be matched equally by local funds. The funds in the account are further restricted to finance regional drinking water systems from the waters of the Tiber reservoir and the Missouri River within specific geographic areas. The program terminates the end of June 2016.

Applicable Tax Rate(s): NA

Distribution: Interest earnings are deposited to a state special revenue fund and appropriated to the Department of Natural Resources and Conservation to fund eligible projects and pay administrative expenses.

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on loans and investments
- Balance in the coal severance tax sub-fund available for investment
- Water bond subsidy

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Coal price
 - Coal production costs
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Coal severance tax and distribution related changes
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations from the trust sub-fund
 - Federal legislative impacts
 - Influences on national interest and bond rates

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts:

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 17-5-703 (4b); use of earnings (90-6-715)

Date Due (MCA) – monthly (17-5-703(4d))

% of Total FY 2004 General Fund Revenue: N/A

Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast the regional water trust interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on three separate components: 1) regional water trust pool interest; 2) interest on new deposits; and 3) interest earned on other non-pool balances.

As of October 1, 1995, all fixed-income investments held by the state’s major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The first step involves determining the permanent trust TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding the forecast amount of the coal tax allocation for that year (less the applicable percentage of the water bond subsidy) multiplied by the long-term interest rate to the last year’s estimate. Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections (less a portion of the water bond subsidy) by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter. Coal severance tax collections are forecast as part of the coal severance tax methodology.

Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections (less a portion of the water bond subsidy) by the appropriate interest rate. The invested balance used varies in accordance with the timing of when new monies become available. For example, coal severance tax collections due for the first quarter of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium. (Coal severance tax collections are forecast as part of the coal severance tax methodology.)

Finally, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

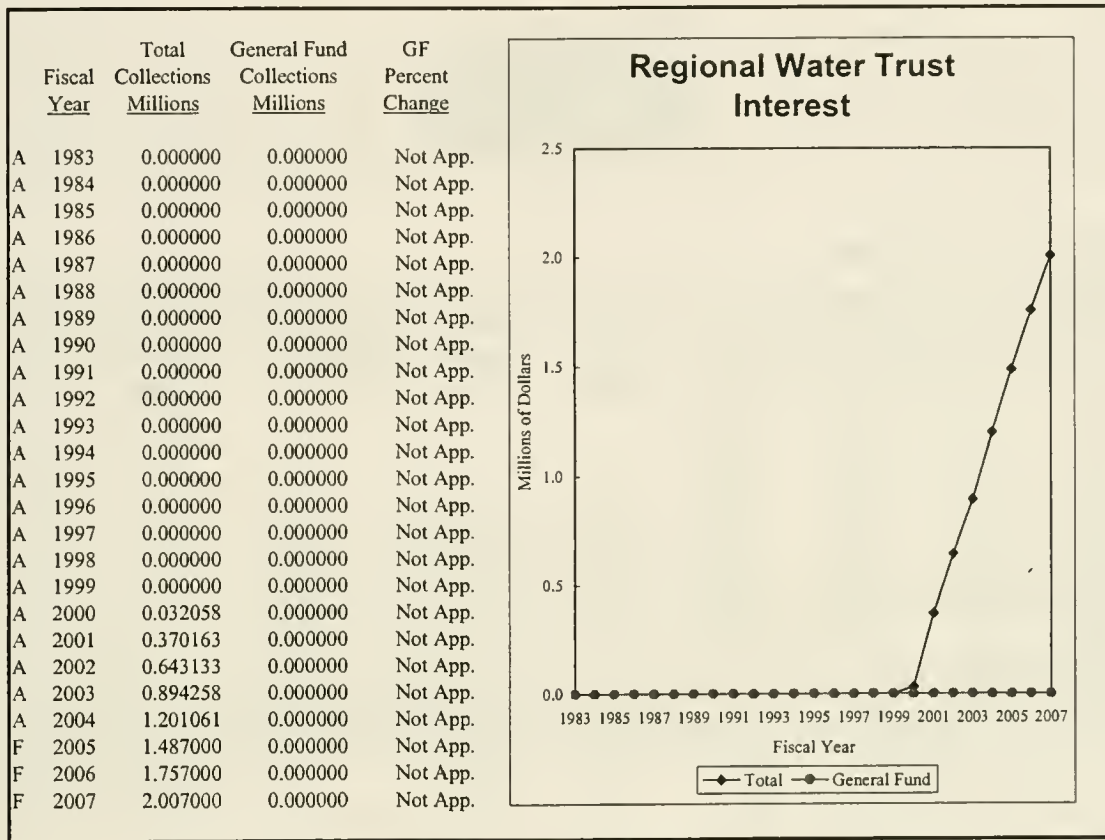
Once investment income has been calculated for these three components, the sum of these comprises total TSE Regional Water System investment income.

Legislative Fiscal Division

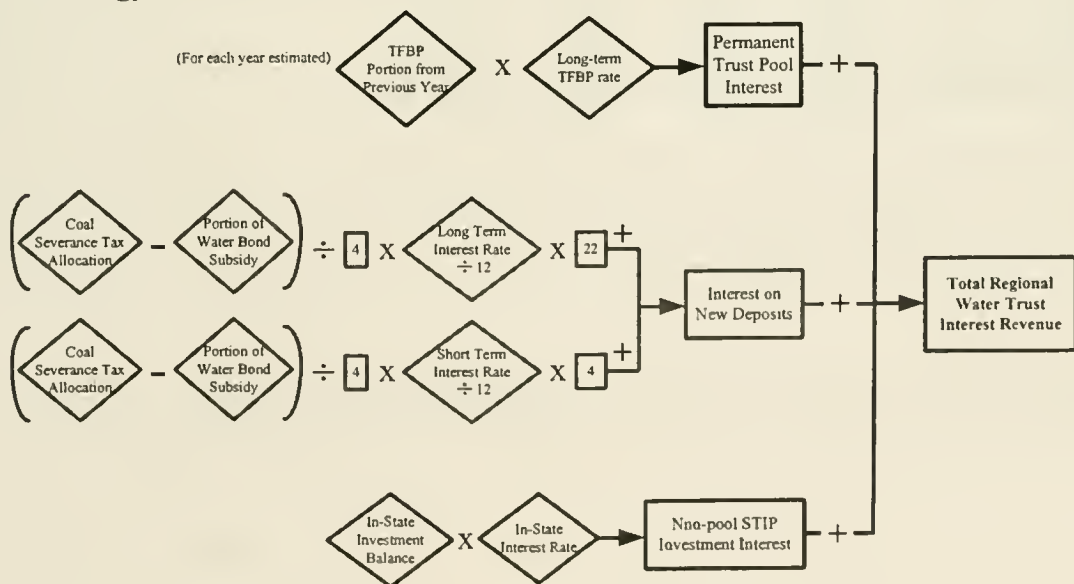
Revenue Estimate Profile

Regional Water Trust Interest

Revenue Projection:



Forecast Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Distribution Methodology

State Special Revenue Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>Loan</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.032058	0.000000			
Actual	2001	0.370163	0.000000			
Actual	2002	0.643133	0.000000	0.610589	0.032544	0.000000
Actual	2003	0.894258	0.000000	0.864661	0.029598	0.000000
Actual	2004	1.201061	0.000000	1.173660	0.027401	0.000000
Forecast	2005	1.487000	0.000000	1.291683	0.194828	0.000000
Forecast	2006	1.757000	0.000000	1.519862	0.236804	0.000000
Forecast	2007	2.007000	0.000000	1.751688	0.254901	0.000000

	<u>t</u>	<u>Net Coal Tax</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	4.433724	6.3370%	5.9500%	3.441977
Actual	2001	4.042147	6.8830%	6.6400%	0.845223
Actual	2002	3.951756	6.3370%	3.5945%	1.578601
Actual	2003	3.677943	5.7290%	2.1032%	1.894047
Actual	2004	3.943085	5.3680%	1.9674%	2.693965
Forecast	2005	4.154000	5.4930%	2.9685%	2.693965
Forecast	2006	3.950000	5.8690%	4.3184%	2.693965
Forecast	2007	3.861000	6.1860%	4.8225%	2.693965

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Revenue Description: Article IX, Section 2 of the Montana Constitution and Title 15, Chapter 38, MCA, require that certain resource extraction taxes, as determined by the legislature, be placed in a trust. The principal of the Resource Indemnity Trust (RIT) "shall forever remain inviolate in an amount of one hundred million dollars (\$100,000,000), guaranteed by the state against loss or diversion." Once the principal of the trust reaches \$100.0 million, any additional tax deposits may be appropriated. Interest earnings on the RIT are to be spent to improve the total environment and rectify damage to the environment. It is also the legislature's intent that interest earnings not be appropriated for general operating expenses of state agencies.

Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the RIT balance had reached \$100 million, the RIT had received revenue from the resource indemnity and ground water assessment tax and the oil and gas tax. Because these allocations of revenue are no longer deposited to the trust, the trust balance will remain constant and interest earnings will be dependent only on the interest rates. However, any excess revenue in the ground water assessment account at the end of a fiscal year causes an amount equal to excess to be deposited to the RIT from the account's allocation of RIGWA tax or RIT interest earnings.

Applicable Tax Rate(s): N/A

Distribution: Statute allocates RIT interest earnings in the following manner:

- 1) at the beginning of the biennium, an amount not to exceed \$175,000 to the environmental contingency fund to bring the balance up to \$750,000. Money in this account is statutorily appropriated for unanticipated public needs arising from certain disasters and emergencies, which may be used upon authorization of the Governor;
- 2) at the beginning of the biennium, an amount not to exceed \$50,000 to the oil and gas mitigation account to bring the balance up to \$200,000. Money in this account is statutorily appropriated to the Board of Oil and Gas Conservation for the cost of plugging wells that have been abandoned and for which no responsible party can be found;
- 3) at the beginning of the biennium, \$500,000 to the water storage state special revenue account to provide loans and grants for water storage projects;
- 4) \$2.0 million annually to the renewable resource grant and loan program state special revenue account for distribution as grants;
- 5) \$1.2 million annually through fiscal 2005 to the reclamation and development grant state special revenue account for distribution as grants, \$1.5 million annually after fiscal 2005;
- 6) \$350,000 annually through fiscal 2005 to the future fisheries program for bull trout and cutthroat trout recovery, \$500,000 annually after fiscal 2005;
- 7) \$300,000 annually to the ground water assessment account to improve ground water management and protection;
- 8) \$240,000 annually to MSU Northern for the environmental science water quality instructional programs. This amount is statutorily appropriated; and
- 9) of the remaining RIT interest earnings: a) through fiscal 2005, 25.5 percent (30 percent after fiscal 2005) goes to the renewable resource grant and loan account for program and administrative costs; b) through fiscal 2005, 45.0 percent (35 percent after fiscal 2004) goes to the reclamation and development grant account for program and administrative costs; c) 22.0 percent through fiscal 2005 (26 percent after fiscal 2005) goes to the hazardous waste/CERCLA account for superfund activities; and d) 7.5 percent through fiscal 2005 (9.0 percent after fiscal 2005) goes to the environmental quality protection fund for additional clean-up activities.

The Department of Natural Resources and Conservation administers two of the RIT interest accounts which are used for grants, loans, and administrative costs: the renewable resource grant and loan program account and the reclamation and development grant account. These accounts also receive funding from other sources. All grants and loans made from these accounts require legislative approval. Grants must also be appropriated.

Collection Frequency: Monthly

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Major Drivers:

- Interest and bond rates on investments
- Balance in the trust fund

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Tax and distribution changes
 - New deposits to the trust from the groundwater account
 - Federal legislative impacts - None

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts:

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution, Article IX, Section 2; 15-38-202(2), use of earnings (15-38-203)

Date Due – NA

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast RIT interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on three separate components: 1) RIT pool interest; 2) interest on new deposits; and 3) short-term interest earnings.

As of October 1, 1995, all fixed-income investments held by the state’s major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The first step involves determining the permanent trust TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding any new deposits (if any) multiplied by the long-term interest rate to the last year’s estimate. Investment income on any new deposits is calculated by multiplying the forecast amount by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter.

Investment income on new deposits is calculated by multiplying the forecast amount (if any) for the RIGWA tax and oil and gas tax collections or transfers from the groundwater account, by the appropriate interest rate. The invested balance varies in accordance with

Legislative Fiscal Division

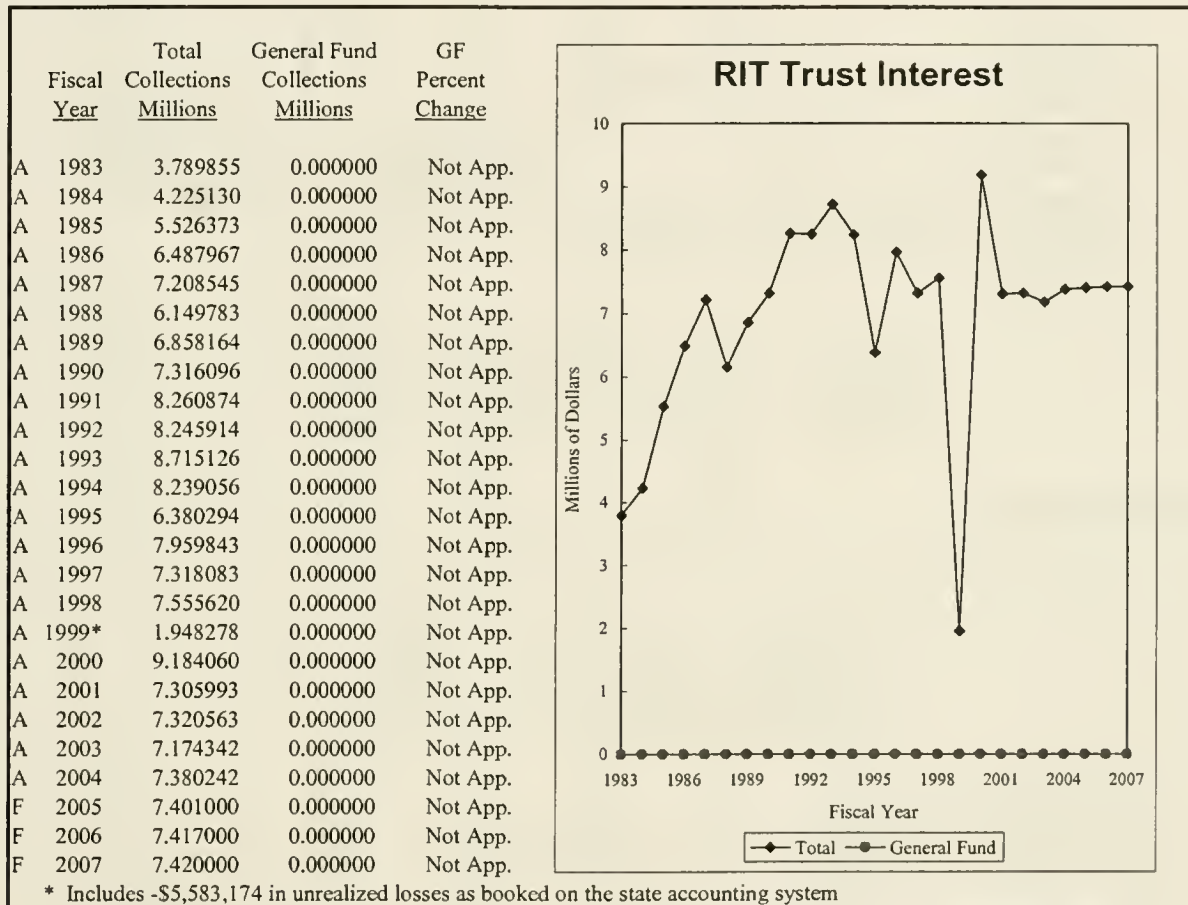
Revenue Estimate Profile

Resource Indemnity Trust Interest

the timing of when new monies become available. Because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate⁴ to determine short-term interest income.

Once investment interest has been calculated for these three components, the sum of these comprises total RIT income.

Revenue Projection:



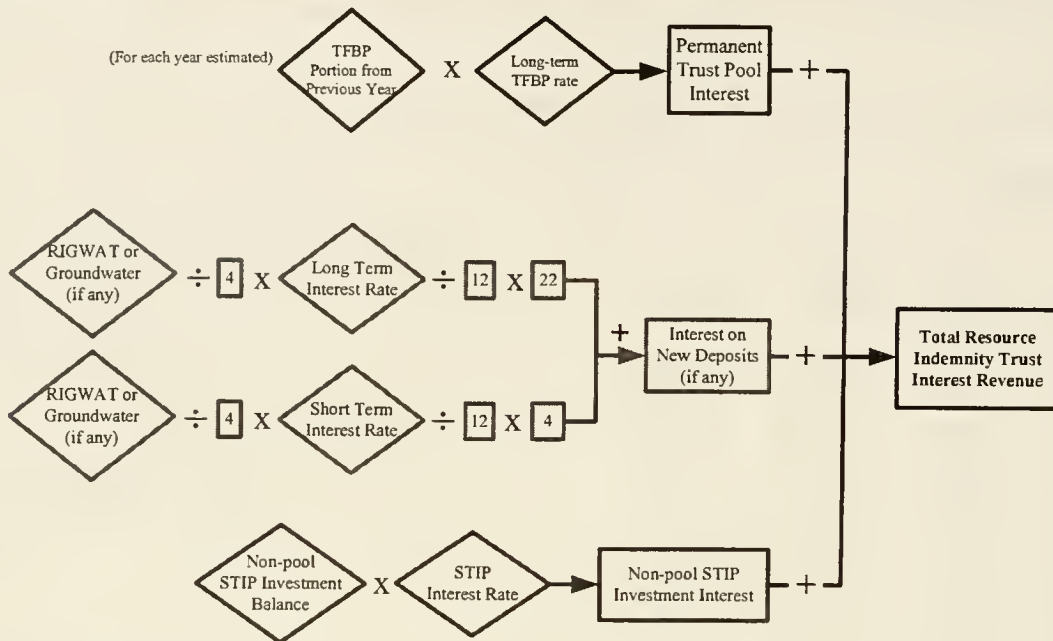
⁴ The estimate of short-term interest rates is developed by making a simple average of 3- month corporate paper, 6- month corporate paper, 3- month T bills, and 6- month T bills.

Legislative Fiscal Division

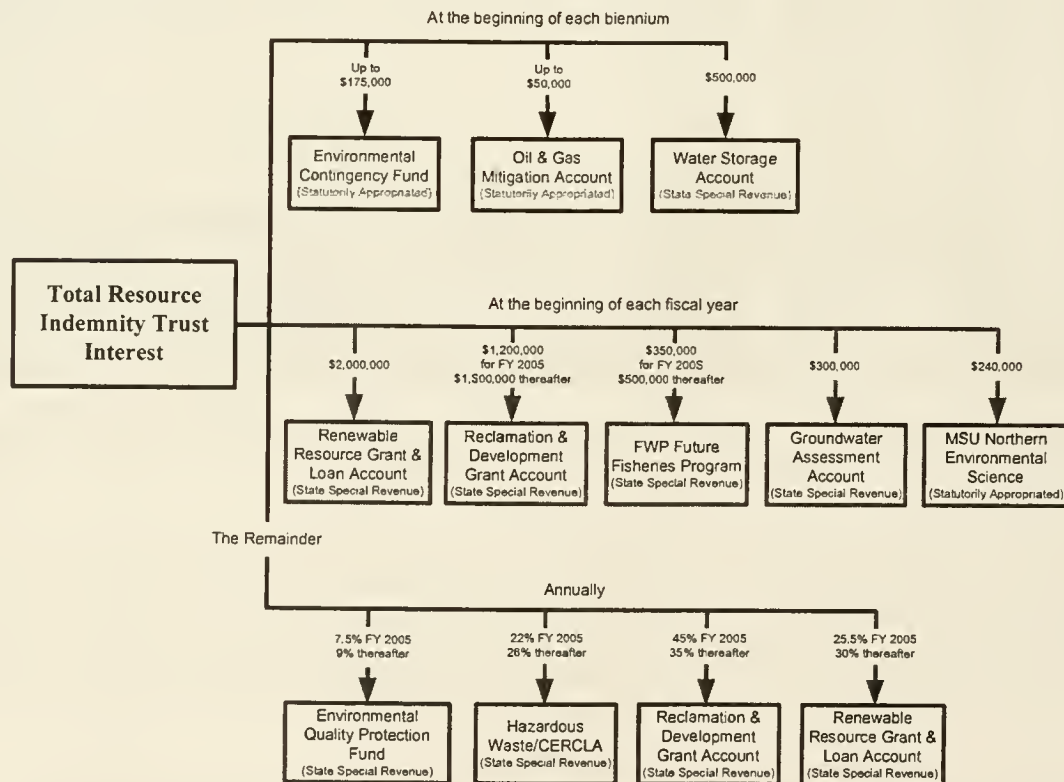
Revenue Estimate Profile

Resource Indemnity Trust Interest

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Revenue Estimate Assumptions:

	t	Total Rev.	GF Rev.	TFBP	STIP
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u> <u>Millions</u>	<u>Interest</u> <u>Millions</u>
Actual	2000	9.184060	0.000000		
Actual	2001	7.305993	0.000000		
Actual	2002	7.320563	0.000000	7.286148	0.034415
Actual	2003	7.174342	0.000000	7.161271	0.013072
Actual	2004	7.380242	0.000000	7.375168	0.005073
Forecast	2005	7.401000	0.000000	7.375198	0.026106
Forecast	2006	7.417000	0.000000	7.389065	0.027823
Forecast	2007	7.420000	0.000000	7.389065	0.031071

	t	Net Tax	New Deposit	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u> <u>Millions</u>	<u>Long Term</u> <u>Rate</u>	<u>STIP</u> <u>Rate</u>	<u>STIP Bal</u> <u>Millions</u>
Actual	2000	3.391472	6.3370%	5.9500%	3.712675
Actual	2001	2.205880	6.8830%	6.6400%	1.557391
Actual	2002	1.588631	6.3370%	3.5945%	2.175871
Actual	2003	0.000000	5.7290%	2.1032%	0.740511
Actual	2004	-0.000188	5.3680%	1.9674%	0.644299
Forecast	2005	0.252454	5.4930%	2.9685%	0.644299
Forecast	2006	0.000000	5.8690%	4.3184%	0.644299
Forecast	2007	0.000000	6.1860%	4.8225%	0.644299

	t	Hazardous	Environmental	Renewable	Reclamation	Environmental
	<u>Fiscal</u>	<u>Waste</u> <u>Millions</u>	<u>Quality</u> <u>Millions</u>	<u>Resource</u> <u>Millions</u>	<u>Development</u> <u>Millions</u>	<u>Contingency</u> <u>Millions</u>
Actual	2000	0.941319	0.319852	3.721445	3.176444	0.175000
Actual	2001	0.796322	0.274126	3.259425	2.676120	0.000000
Actual	2002	0.534446	0.185001	3.356669	2.219447	0.175000
Actual	2003	0.678555	0.231326	3.026507	2.587954	0.000000
Actual	2004	0.564353	0.192393	2.894137	2.354359	0.175000
Forecast	2005	0.728420	0.248325	3.084305	2.689950	0.000000
Forecast	2006	0.559520	0.193680	2.885600	2.253200	0.175000
Forecast	2007	0.748800	0.259200	3.104000	2.508000	0.000000

	t	Water	Oil & Gas	FWP	Groundwater
	<u>Fiscal</u>	<u>Storage</u> <u>Millions</u>	<u>Receipts</u> <u>Millions</u>	<u>Receipts</u> <u>Millions</u>	<u>Receipts</u> <u>Millions</u>
Actual	2000	0.500000	0.050000	0.000000	0.300000
Actual	2001	0.000000	0.000000	0.000000	0.300000
Actual	2002	0.500000	0.050000	0.000000	0.300000
Actual	2003	0.000000	0.000000	0.350000	0.300000
Actual	2004	0.500000	0.050000	0.350000	0.300000
Forecast	2005	0.000000	0.000000	0.350000	0.300000
Forecast	2006	0.500000	0.050000	0.500000	0.300000
Forecast	2007	0.000000	0.000000	0.500000	0.300000

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Revenue Description: Due to passage of Montana Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. Due to passage of Initiative 146 by the electorate in November 2002, 32 percent of the tobacco settlement money is to fund tobacco prevention and 17 percent is to fund the Children's Health Insurance Program. As amended in SB 485 by the 2003 legislature, money from these allocations can also be used to fund human services programs and to match federal Medicaid funds through fiscal 2005. The remaining 11 percent of the money is deposited to the general fund. Interest earnings from the trust can only be used for tobacco disease prevention programs and programs providing benefits, services, or coverage that are related to the health care needs of Montanans. The earnings cannot be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of Montanans.

Applicable Tax Rate(s): NA

Distribution: Interest earnings from the trust fund are distributed:

1. 90 percent to a state special revenue account for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana; and
2. 10 percent to the tobacco settlement trust fund.

Collection Frequency: Trust interest earnings are deposited monthly to the state special revenue account and the trust.

Major Drivers:

- Interest and bond rates on investments
- Balance in the trust fund
- Constitutional requirements

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Changes in distribution of proceeds to the trust (i.e. greater than 40%)
 - New deposits to the trust from state special revenue account (if any)
 - Federal legislative impacts - None

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts: Department of Justice

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution Article XII, Section 4; 17-6-601; 17-6-603

Date Due – Interest deposits are mostly made monthly, but none in July and two in June

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast the tobacco settlement trust interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on three separate components: 1) tobacco settlement trust pool interest; 2) interest on new deposits; and 3) short-term interest earnings.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The first step involves determining the permanent trust TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding any new deposits of tobacco settlement proceeds multiplied by the long-term interest rate to the last year's estimate. Investment income on any new deposits is calculated by multiplying the forecast amount by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter. Tobacco settlement revenue is forecast as part of the tobacco revenue settlement methodology.

Investment income on new deposits from the tobacco settlement plus 10 percent of interest earnings from the trust is calculated by multiplying the forecast amounts by the appropriate interest rate. The invested balance varies in accordance with the timing of when new revenue becomes available. For example, the revenue from the settlement received around April 15 of each year will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium.

Finally, because a portion of the trust is invested on a short-term basis, an assumption is made for the balance of trust funds in STIP. This balance is then multiplied by the short-term interest rate to determine short-term interest income.

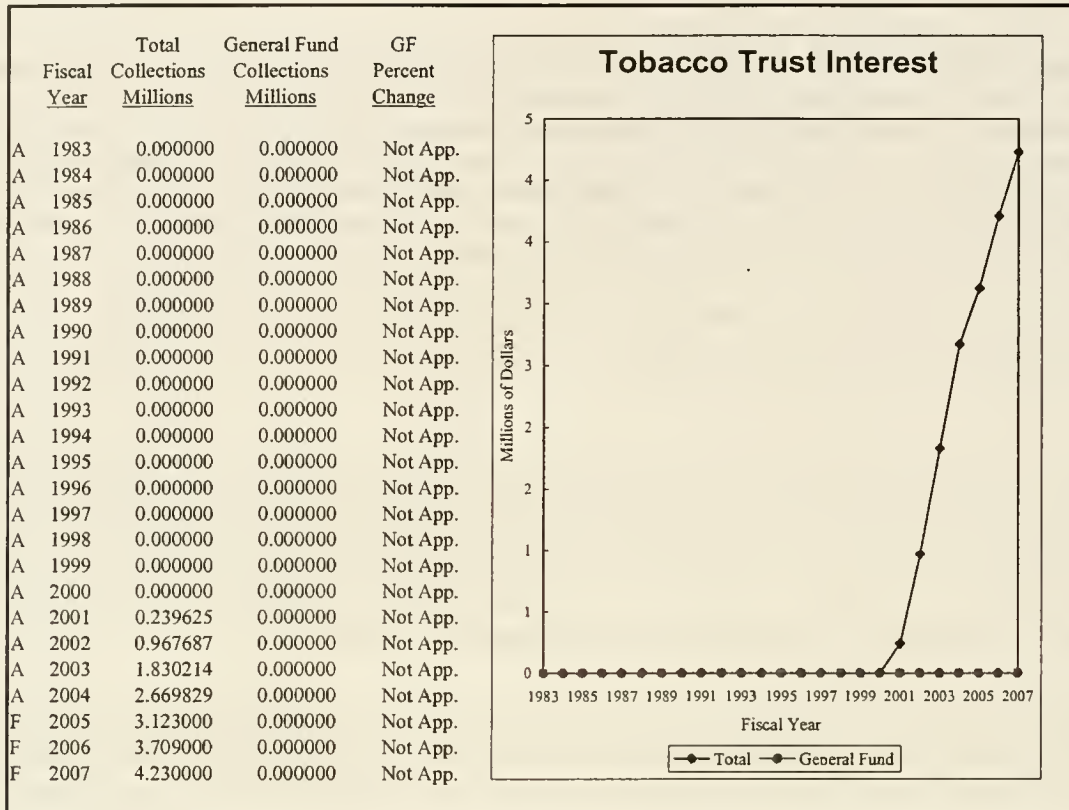
Once interest has been calculated for these three components, the sum of these comprises total tobacco settlement trust investment income.

Legislative Fiscal Division

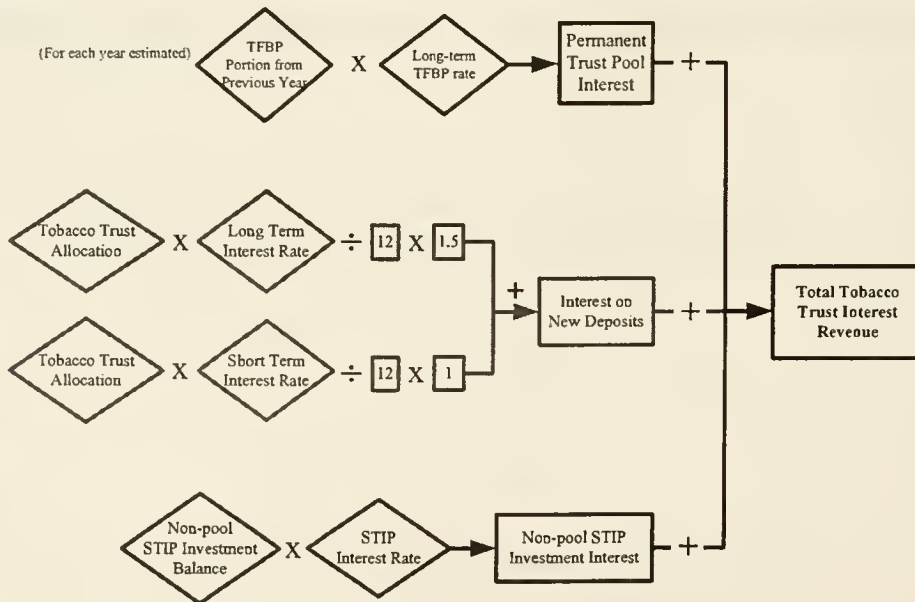
Revenue Estimate Profile

Tobacco Trust Interest

Revenue Projection:



Forecast Methodology

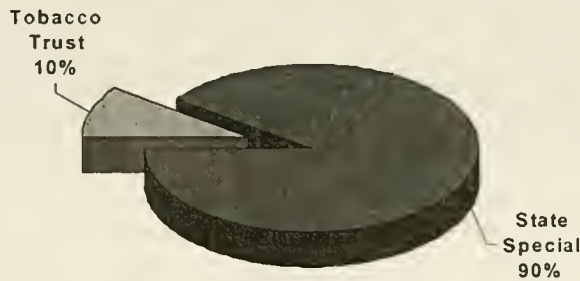


Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>TFBP</u>	<u>STIP</u>	<u>90 Percent</u>	<u>10 Percent</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000				
Actual	2001	0.239625	0.000000				
Actual	2002	0.967687	0.000000	0.955252	0.012435		
Actual	2003	1.830214	0.000000	1.816256	0.013958	1.647000	0.183000
Actual	2004	2.669829	0.000000	2.661875	0.007953	2.403000	0.267000
Forecast	2005	3.123000	0.000000	3.093021	0.030428	2.811000	0.312000
Forecast	2006	3.709000	0.000000	3.671850	0.037204	3.338000	0.371000
Forecast	2007	4.230000	0.000000	4.188773	0.041627	3.807000	0.423000

	<u>t</u>	<u>Tobacco</u>	<u>New Deposit</u>	<u>Non Pool</u>	<u>Non Pool</u>
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2000	0.000000	6.3370%	5.9500%	0.000000
Actual	2001	10.650750	6.8830%	6.6400%	0.249457
Actual	2002	12.432000	6.3370%	3.5945%	0.584877
Actual	2003	12.563000	5.7290%	2.1032%	0.251155
Actual	2004	10.852000	5.3680%	1.9674%	0.132682
Forecast	2005	10.708000	5.4930%	2.9685%	0.132682
Forecast	2006	8.746000	5.8690%	4.3184%	0.132682
Forecast	2007	8.766000	6.1860%	4.8225%	0.132682

Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Description: In the June 1992 election, voters approved a referendum to create the Treasure State Endowment Fund (TSEF) within the permanent coal tax trust fund. The TSEF received a \$10.0 million grant from the permanent trust principal in fiscal 1994 and receives 37.5 percent of total coal severance tax collections from July 1999 through June 2003. Beginning fiscal 2004, the trust receives 25 percent of total collections. Interest earned on the TSEF is used to finance local infrastructure projects, as prioritized by the Departments of Commerce and Natural Resources and Conservation and authorized by the legislature via the Treasure State Endowment Program (TSEP). The deposit of coal severance tax revenue to this fund terminates the end of fiscal 2016.

Applicable Tax Rate(s): N/A

Distribution: Interest earnings are allocated to the Department of Commerce to fund TSEP.

Collection Frequency: Monthly

Major Drivers:

- Interest and bond rates on loans and investments
- Balance in the coal severance tax sub-fund available for investment
- Water bond subsidy

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest and bond rates
 - Inflationary pressures
 - Coal price
 - Coal production costs
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Coal severance tax and distribution related changes
 - Constitutional restrictions on types of investments (i.e. no investments in equities)
 - Appropriations from the trust sub-fund
 - Federal legislative impacts
 - Influences on national interest and bond rates

Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, Global Insight

Contacts: Department of Commerce and Department of Natural Resources and Conservation

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 17-5-703 (4c); use of earnings (90-6-701(2))

Date Due (MCA) – Monthly (17-5-703 (4c))

% of Total FY 2004 General Fund Revenue: N/A

Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The methodology used to forecast TSEF interest earnings is a multi-step process. In order to estimate total investment earnings for the trust, income must be calculated on three separate components: 1) TSEF pool interest; 2) interest on new deposits; and 3) short-term interest earnings.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Fund Bond Pool (TFBP). The first step involves determining the permanent trust TFBP earnings. For the first year to be estimated, the applicable portion of the TFBP at the end of the previous fiscal year is multiplied by the estimated long-term TFBP interest rate. Subsequent years are estimated by adding the forecast amount of the coal tax allocation for that year (less the applicable percentage of the water bond subsidy) multiplied by the long-term interest rate to the last year's estimate. Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections (less a portion of the water bond subsidy) by the appropriate interest rate. The new deposits earn interest at the STIP rate for the first month and at the long-term TFBP interest rate thereafter. Coal severance tax collections are forecast as part of the coal severance tax methodology

Investment income on new deposits is calculated by multiplying the forecast amount for quarterly coal severance tax collections (less a portion of the water bond subsidy) by the appropriate interest rate. The invested balance used varies in accordance with the timing of when new monies become available. For example, coal severance tax collections due for the first quarter of the biennium will earn interest at the short-term (STIP) rate for one month, after which they will earn interest at the long-term rate for the remainder of the biennium. (Coal severance tax collections are forecast as part of the coal severance tax methodology.)

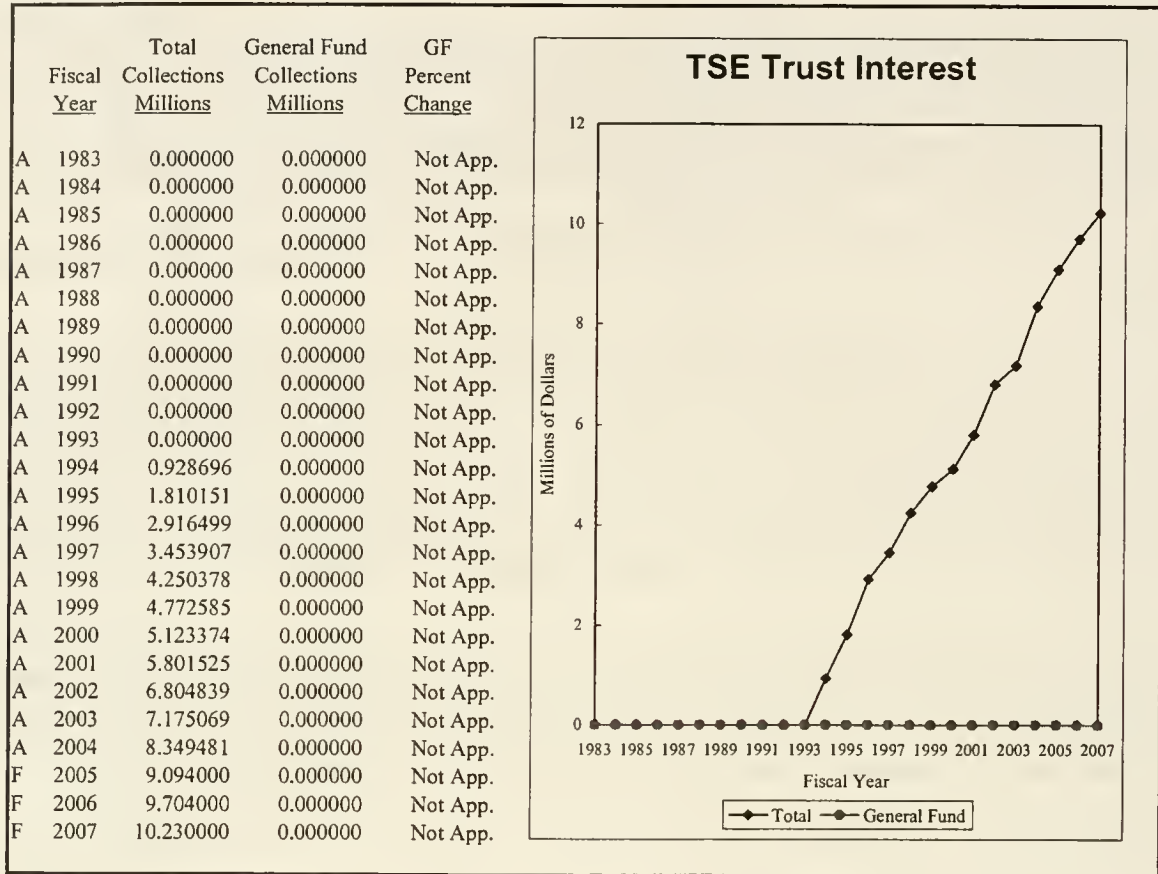
Once investment income has been calculated for these three components, the sum of these comprises total TSEF investment income.

Legislative Fiscal Division

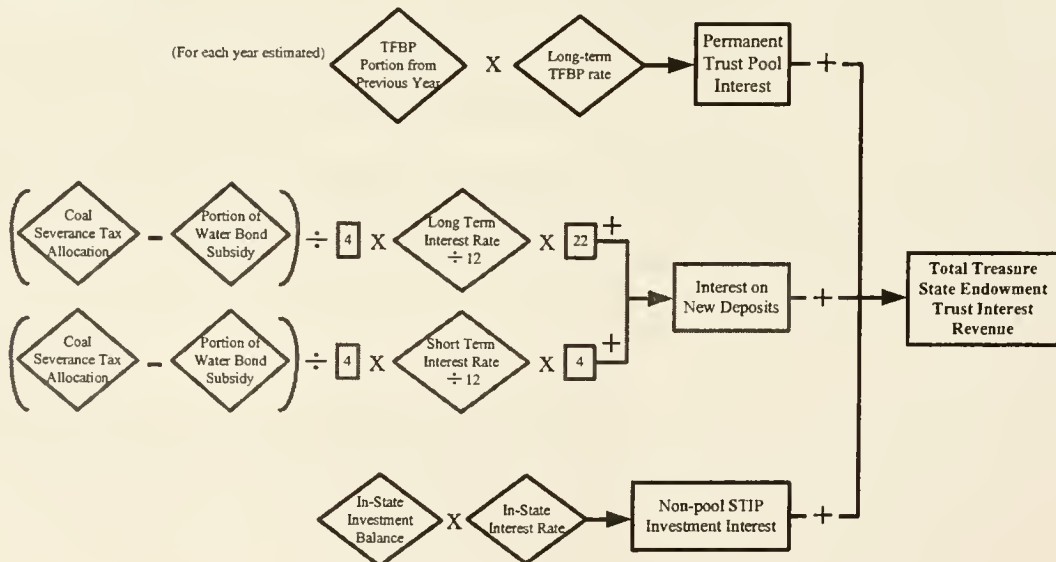
Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Projection:



Forecast Methodology



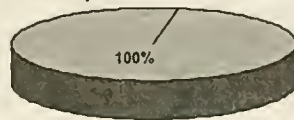
Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Distribution Methodology

State Special Revenue Fund



Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	TFBP	STIP	Loan
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Interest</u>	<u>Interest</u>	<u>Interest</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	5.123374	0.000000			
Actual	2001	5.801525	0.000000			
Actual	2002	6.804839	0.000000	5.107385	0.166917	1.530537
Actual	2003	7.175069	0.000000	5.718544	0.091977	1.364547
Actual	2004	8.349481	0.000000	6.929583	0.086784	1.333115
Forecast	2005	9.094000	0.000000	7.441443	0.542210	1.110743
Forecast	2006	9.704000	0.000000	7.897801	0.695565	1.110743
Forecast	2007	10.230000	0.000000	8.361511	0.757602	1.110743

	t	Net Coal Tax	New Deposit	Non Pool	Non Pool	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>Loan</u>	<u>STIP Bal</u>	<u>Loan Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	13.301172	7.0160%	5.9500%	0.0000%	12.385400	0.000000
Actual	2001	12.126440	6.8830%	6.6400%	0.0000%	4.384216	19.223452
Actual	2002	11.855268	6.3370%	3.5945%	8.2549%	7.426826	17.858672
Actual	2003	11.033830	5.7290%	2.1032%	7.4418%	11.674509	18.813738
Actual	2004	7.886171	5.3680%	1.9674%	8.2678%	10.526991	13.434570
Forecast	2005	8.308000	5.4930%	2.9685%	8.2678%	10.526991	13.434570
Forecast	2006	7.901000	5.8690%	4.3184%	8.2678%	10.526991	13.434570
Forecast	2007	7.721000	6.1860%	4.8225%	8.2678%	10.526991	13.434570

Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest

Revenue Description: The Department of Administration, Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average invested balance. No TRANS issues are anticipated in the 2007 biennium.

Applicable Tax Rate(s): N/A

Distribution: All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

Collection Frequency: On-going

Major Drivers:

- Cash in the state treasury available for investing
- Short and intermediate term interest rates
- TRANS

Potential Factors Influencing Change:

- Economic Factors
 - Prevailing national interest rates
 - Inflationary pressures
 - State bond rating (for TRANS)
- Social Factors - None
- Legislative Factors
 - State legislative impacts
 - Relationship between state spending (appropriations) and revenue (tax policy) including the timing of expenditures and revenue collections
 - Federal legislative impacts
 - Influences on national interest rates

Data Source(s): SABHRS, Department of Administration, *Wall Street Journal*, Global Insight

Contacts: Department of Administration

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 17-6-202(2)

Date Due – interest deposits are mostly made monthly, but two in June and none in July

% of Total FY 2004 General Fund Revenue: 0.46%

Legislative Fiscal Division

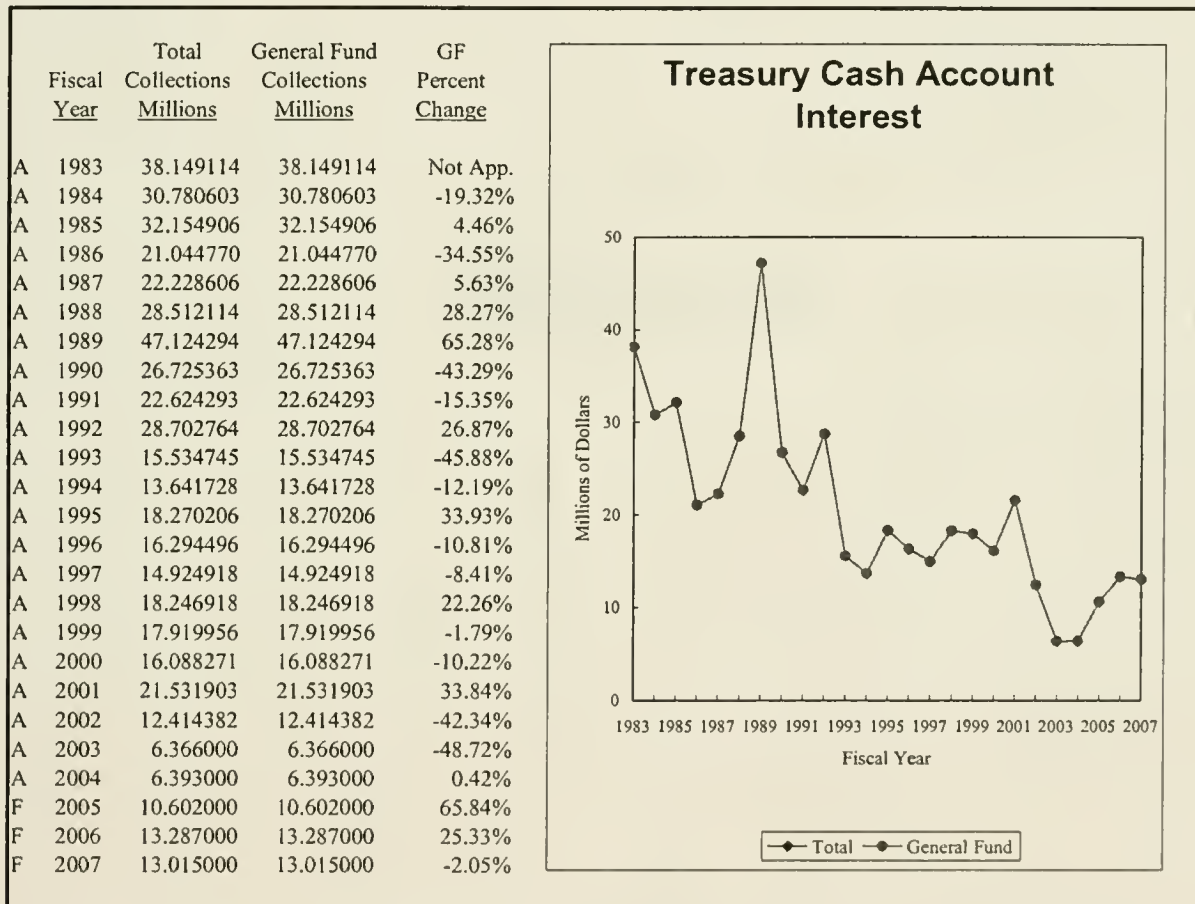
Revenue Estimate Profile

Treasury Cash Account Interest

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

To estimate TCA investment earnings, the LFD determines the level of cash that will be available to earn interest. This step involves consideration of four key variables: 1) the average balance of the TCA; 2) the level and term of TRANS to be issued, if needed; 3) major legislation changes impacting cash; and 4) any other major cash balance changes that may occur. The sum of these variables, multiplied by the short-term interest rate, provides the estimated revenue for TCA earnings.

Revenue Projection:

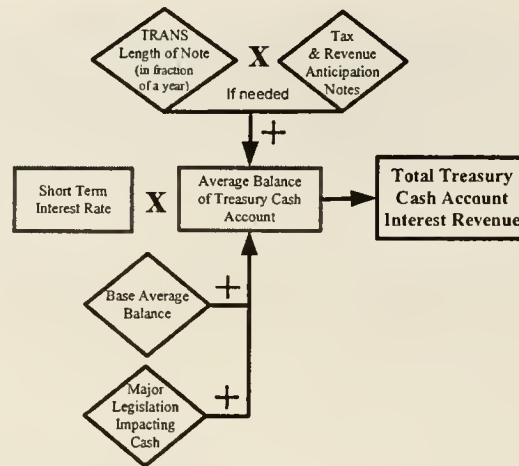


Legislative Fiscal Division

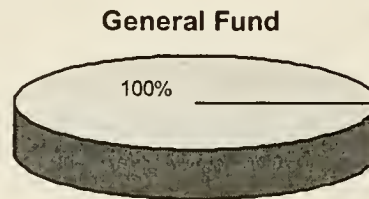
Revenue Estimate Profile

Treasury Cash Account Interest

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	t	Total Rev.	GF Rev.	Avg. Bal.	Interest	Issue	TRANS
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Cost</u>
Actual	2000	16.088271	16.088271	303.627590	0.052987	0.000000	0.000000
Actual	2001	21.531903	21.531903	334.705188	0.064331	0.000000	0.000000
Actual	2002	12.414382	12.414382	273.343304	0.045417	0.000000	0.000000
Actual	2003	6.366439	6.366439	273.928913	0.023241	0.026498	1.639327
Actual	2004	6.392992	6.392992	311.477974	0.020525	0.002027	0.099188
Forecast	2005	10.602000	10.602000	311.477974	0.034039	0.021977	0.000000
Forecast	2006	13.287000	13.287000	311.477974	0.042661	0.027544	0.000000
Forecast	2007	13.015000	13.015000	311.477974	0.041788	0.026980	0.000000

	t	Base Bal.	TRANS	TRANS
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Length</u>
Actual	2000	303.628000	0.000000	0.000000
Actual	2001	334.705000	0.000000	0.000000
Actual	2002	273.343000	0.000000	0.000000
Actual	2003	212.062000	92.800000	0.666667
Actual	2004	262.545000	73.400000	0.666667
Forecast	2005	311.477974	0.000000	0.000000
Forecast	2006	311.477974	0.000000	0.000000
Forecast	2007	311.477974	0.000000	0.000000

CONSUMPTION TAXES

Beer Tax

Cigarette Tax

Diesel Tax

Gasoline Tax

GVW & Other Fees

Liquor Excise & License Tax

Liquor Profits

Lottery Profits

Tobacco Tax

Video Gambling Tax

Wine Tax



Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Revenue Description: A tax is levied on each barrel of beer (31 gallons) produced in or imported into Montana based on the amount produced. A small portion of the revenue from the beer license tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

Applicable Tax Rate(s): The per barrel tax varies based on barrels of production:

- up to 5,000 barrels - \$1.30
- 5,001 to 10,000 barrels - \$2.30
- 10,001 to 20,000 barrels - \$3.30
- over 20,000 barrels - \$4.30

Distribution: Beer tax revenue is distributed 76.74 percent to the general fund and 23.26 percent to the DPHHS state special revenue alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

Collection Frequency: Monthly

Major Drivers:

- Barrels of beer sold
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements (i.e. health risks or benefits)
 - Demand of substitutes such as wine
- Legislative Factors
 - State legislative impacts
 - Change price/tax
 - Change legal age for consumption
 - Degree of law enforcement
 - Lower legal limit to 0.08
 - Allow wine to be sold in grocery stores
 - Federal legislative impacts
 - Change price/tax
 - Force state to adopt lower legal limit
 - Force state to adopt open container law

Data Source(s): SABHRS, Bureau of Economic Analysis, U.S. Dept. of Commerce, MT Department of Labor and Industry

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-1-406

Distribution (MCA) – 16-1-406

Date Due – end of the month and collected in the next month

Legislative Fiscal Division

Revenue Estimate Profile

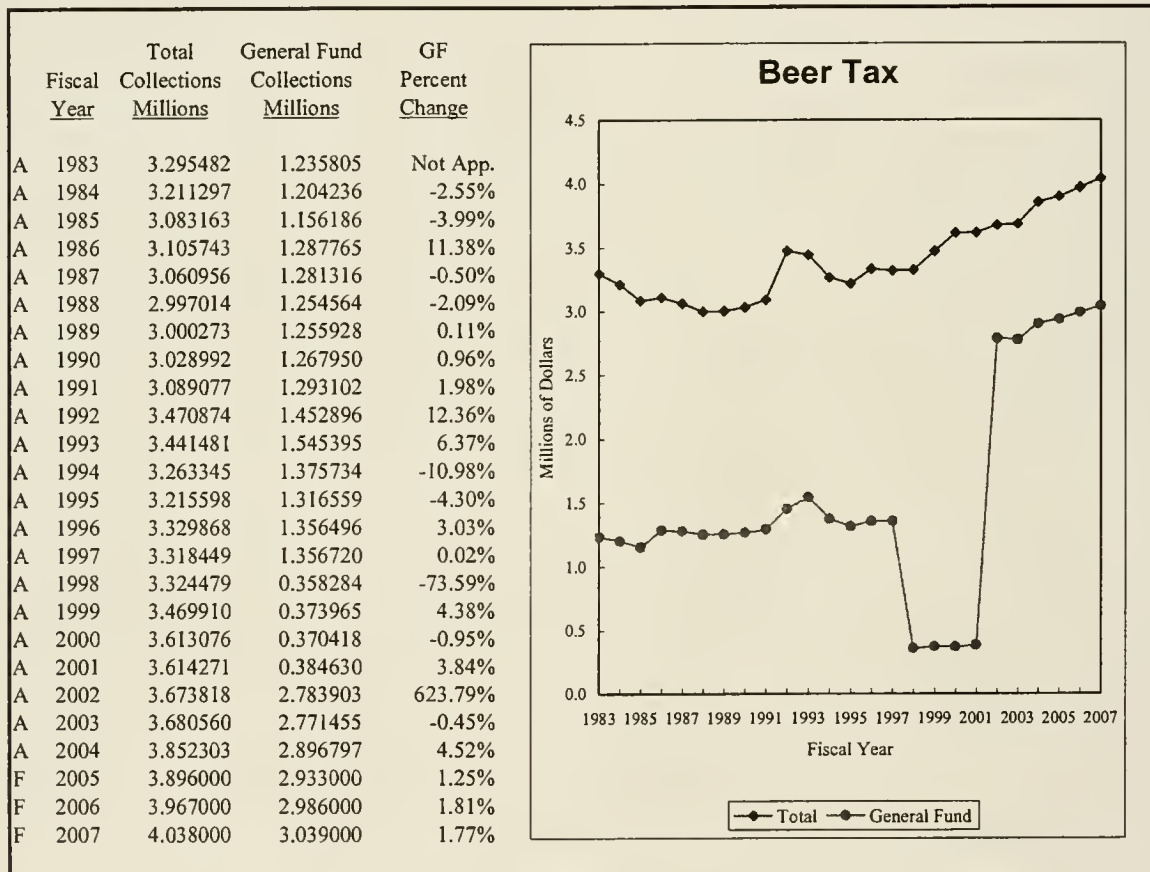
Beer Tax

% of Total FY 2004 General Fund Revenue: 0.21%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Beer tax revenues are estimated by first determining the number of barrels of beer expected to be consumed in Montana. For this estimate, the LFD determines beer consumption using a trend model. Next, because beer is taxed on four levels of production, an effective tax rate is determined. By calculating the percentage of total gallons produced in each of the tax classes and multiplying the percentage by the tax rate in each of the four classes, the effective tax rate is established. The effective tax rate is then applied to the estimated number of barrels to determine total tax receipts.

Revenue Projection:

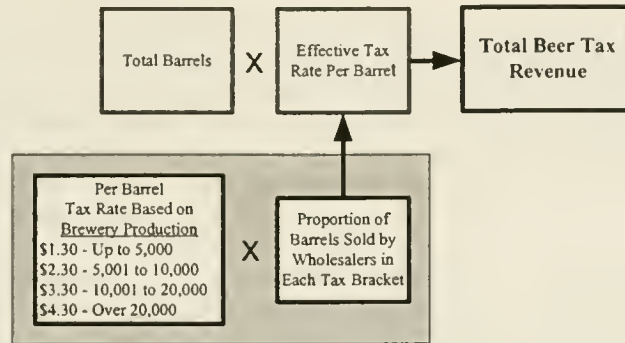


Legislative Fiscal Division

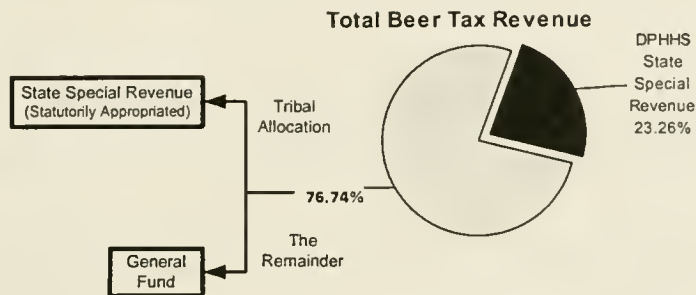
Revenue Estimate Profile

Beer Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Barrels</u>	<u>Tax Rate</u>	<u>Effective</u>	<u>GF Percent</u>	<u>Tribal</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Per Barrel</u>	<u>Tax Rate</u>	<u>Allocation</u>	<u>Millions</u>
Actual	2000	3.613076	0.370418	0.840250	4.300000		0.116283	0.049723
Actual	2001	3.614271	0.384630	0.840528	4.300000		0.116300	0.035710
Actual	2002	3.673818	2.783903	0.867120	4.300000	4.236803	0.767400	0.035385
Actual	2003	3.680560	2.771455	0.869267	4.300000	4.234098	0.767400	0.053007
Actual	2004	3.852303	2.896797	0.900678	4.300000	4.277113	0.767400	0.059460
Forecast	2005	3.896000	2.933000	0.910932	4.300000	4.277113	0.767400	0.057000
Forecast	2006	3.967000	2.986000	0.927613	4.300000	4.277113	0.767400	0.058000
Forecast	2007	4.038000	3.039000	0.944294	4.300000	4.277113	0.767400	0.060000

$$\text{GF Tax} = \text{Barrels} * \text{Effective Tax Rate} - \text{Tribal}$$

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Revenue Description: The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignias are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of Montana's per capita tax on cigarettes multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 increasing the tax on cigarettes to \$0.70 per 20-cigarette package, a 289 percent increase from the previous \$0.18 tax. Shortly thereafter, the electorate approved I-149 that raised the tax on packs of 20 cigarettes by \$1.00 to \$1.70, beginning January 1, 2005, an increase of 143 percent. Both SB 407 and I-149 changed the distributor percentage discounts, but the amounts that distributors are allowed to retain for administration of the tax stayed relatively constant. SB 407 changed the distribution of the tax revenues to increase the amount deposited into the state general fund. I-149 increases tax revenues for veterans' nursing home operation and maintenance and provides revenue to a new state special revenue fund for health and Medicaid initiatives.

Applicable Tax Rate(s):

- Through December 2004 - The excise tax on cigarettes is \$0.70 per twenty-cigarette pack. When a pack contains more than 20 cigarettes, the tax is prorated at 1/20th of \$0.70 for each cigarette.
- Beginning January 2005 - The excise tax on cigarettes is \$1.70 per package of 20 cigarettes, prorated for packages that differ from 20 cigarettes.
- Wholesalers pay a license fee of \$50.00 and each retailer pays a license fee of \$5.00. License fees are renewable each year and are non-transferable. Revenue from these fees is shown in "All Other General Fund Revenue".

Distribution: All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax is distributed:

Through December 2004

- The greater of 8.3% or \$2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 4.3% to the long-range building program
- The remainder (87.4%) to the general fund

Beginning January 2005

- The greater of 8.3% or \$2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 2.6% to the long-range building program
- 44.0% for health and Medicaid initiatives
- The remainder (45.1%) to the general fund

Collection Frequency: Monthly

Major Drivers:

- Insignias (packs) sold
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Population change
 - Number of insignias sold
 - Number of cigarette wholesalers
 - Montana Population

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

- Montana Disposable Income
 - Montana Per Capita Consumption
 - National Consumption Statistics, Center for Disease Control
- Social Factors
 - Industry announcements
 - Population perception of smoking
- Legislative Factors
 - State legislative impacts
 - Changes in legal possession of cigarettes
 - Changes in laws concerning legality of smoking in public spaces
 - Changes in tax rates
 - Federal legislative impacts
 - Changes in laws relating to information about smoking
 - Changes in laws relating to health consequences of smoking
 - Changes in laws on advertisement
 - Changes in laws on health warnings
 - Changes in laws concerning legality of smoking in public spaces

Data Source(s): SABHRS, Department of Revenue Collection Reports, U.S. Department of Commerce, MT Department of Labor and Industry, Center for Disease Control

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-11-111

Tax Distribution (MCA) – 16-11-119

Date Due – within 30 days after purchase of the insignia (16-11-117)

% of Total FY 2004 General Fund Revenue: 2.61%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

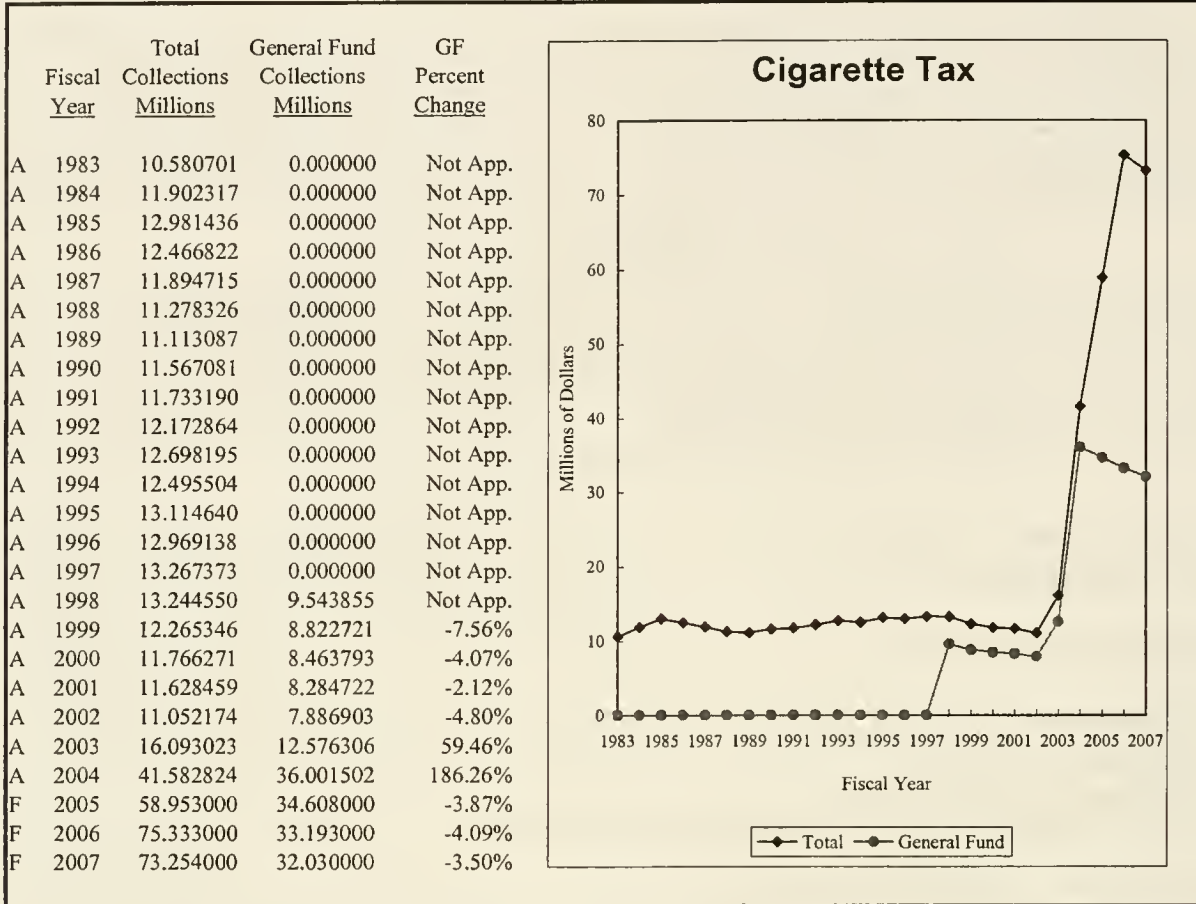
To estimate cigarette revenues, the LFD computes the total number of taxable packages of cigarettes to be consumed in Montana based on a consumption decline rate. In fiscal 2003 and 2004, following an increase in the tax rate by SB 407, a price elasticity factor was applied to the estimate of packs that predicted a decline in consumption of 4.4 percent for each 10 percent increase in price (based on the change in the first year of increase), equaling a total reduction in taxable packs of 7.28 percent. In fiscal 2005, a higher elasticity factor is used equating to an 8 percent decline in consumption for each 10 percent increase in price (based on the change in the first year of increase), which results in a total reduction in taxable packs of 20.89 percent. Next, the tax rate is applied to the projected number of taxable packs to determine the total cigarette tax receipts. Estimates for discounts and refunds are then subtracted to derive the available tax revenue.

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Revenue Projection:



Forecast Methodology

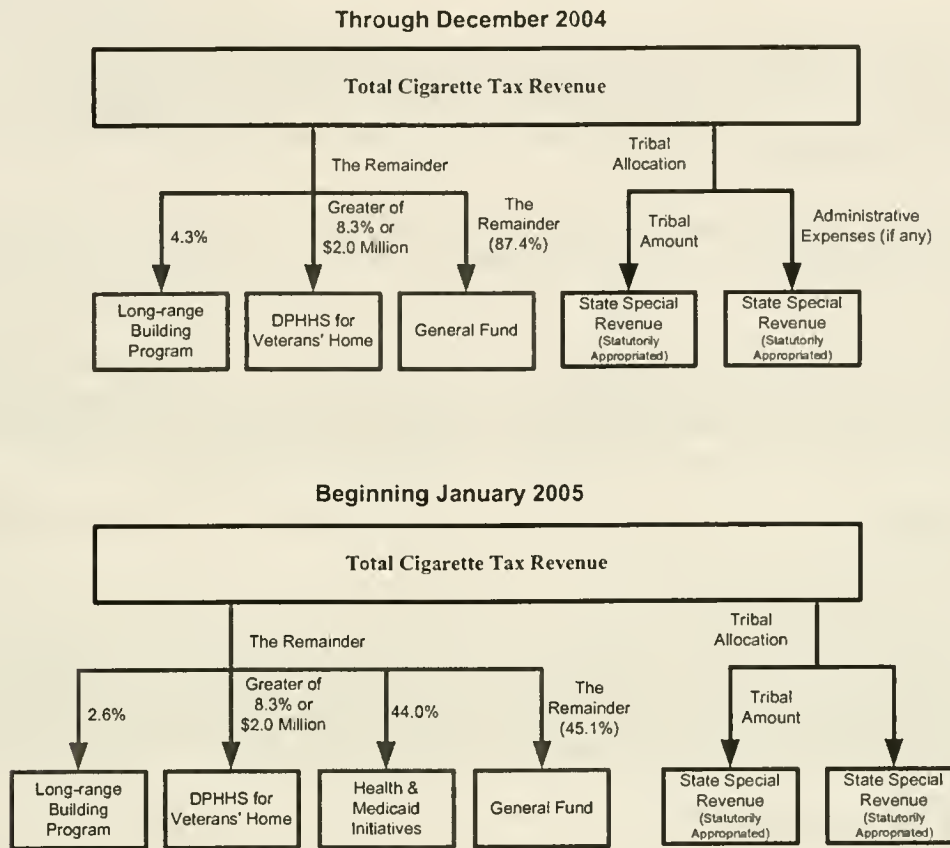


Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Pack</u> <u>Millions</u>	<u>Tax Rate</u> <u>Per Pack</u>	<u>GF Percent</u> <u>Allocation</u>	<u>Tribal</u> <u>Millions</u>	<u>Dis./Refunds</u> <u>Millions</u>
Actual	2000	11.766271	8.463793		0.180000	0.719327	0.178384	
Actual	2001	11.628459	8.284722		0.180000	0.712452	0.285740	
Actual	2002	11.052174	7.886903		0.180000	0.713606	0.254115	
Actual	2003	16.093023	12.576306		0.266667	0.781476	0.285856	
Actual	2004	41.582824	36.001502	60.906841	0.700000	0.865778	0.396269	1.051966
Forecast	2005	58.953000	34.608000	50.228131	1.200000	0.595151	0.803000	1.320396
Forecast	2006	75.333000	33.193000	45.239163	1.700000	0.451000	1.735000	1.573201
Forecast	2007	73.254000	32.030000	43.990562	1.700000	0.451000	2.234000	1.529781

$$\text{GF Tax} = \text{Packs} * \text{Tax Rate} - \text{Tribal} * \text{GF Percent Allocation}$$

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Description: The Montana Constitution (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): 1) the main source of revenue is a diesel tax of \$0.2775 per gallon paid to the Department of Transportation (DOT) for every gallon of diesel sold or used in the state; and 2) a tax of \$0.0075 is assessed on each gallon of diesel fuel for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the diesel tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

Applicable Tax Rate(s):

1. Diesel (Special) Fuel Tax - \$0.2775 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$0.0075

Distribution: After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account; 3) diesel tax refunds; and 4) amounts refunded through the international fuel tax agreement, diesel tax proceeds are distributed to DOT. Of that amount, 1/4 of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance.

Collection Frequency: Monthly

Major Drivers:

- Fuel sales
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Fuel price
 - Availability of fuel products
 - Changes in manufacturing
- Social Factors
 - Disturbances in production
 - Government or industry announcements
 - Demand of substitutes, rail and air freight
 - Desire for fuel efficient vehicles
 - Relationships with oil producing countries
- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Environmental law changes
 - Subsidies for alternatives

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

- Federal legislative impacts
 - Tax changes
 - Environmental law changes
 - Subsidies for alternatives
 - Regulation of trucking industry

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statutory Reference:

Tax Rate (MCA) – 15-70-321(2), 15-11-313 (storage tank cleanup)

Tax Distribution (MCA) – 15-70-101(1), 75-11-314 (storage tank cleanup)

Date Due – 25th of the following month (15-70-344(1))

% of Total FY 2004 General Fund Revenue: N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

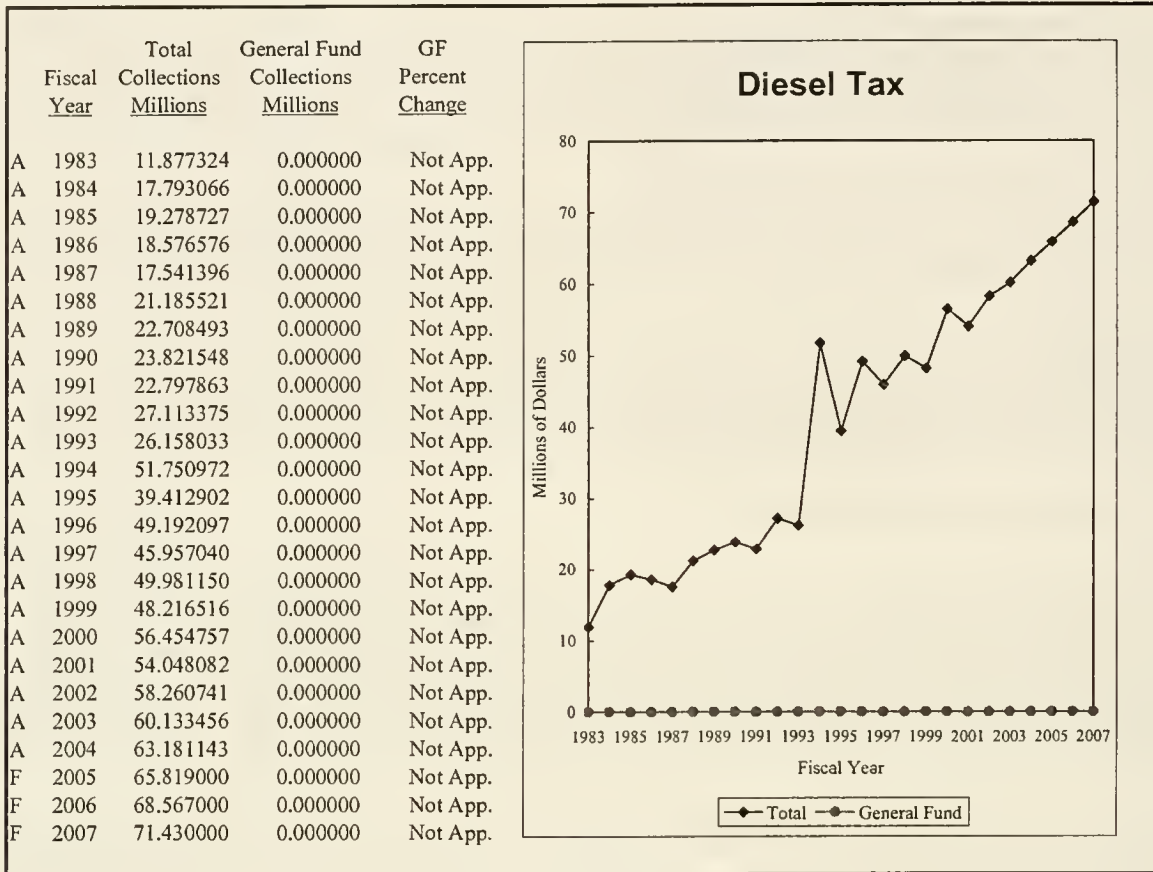
Diesel tax revenue is calculated by first determining the gallons of diesel fuel by applying a growth rate to the prior year’s gallons sold. For the diesel fuel tax revenue, the effective diesel tax rate is multiplied by the estimated number of gallons. The effective tax rate is 99.0 percent of the statutory tax rate, because law allows the distributor to retain 1.0 percent of the revenue collected. Deductions are then made for refunds and tribal allocations to obtain the estimate of tax receipts. For the petroleum storage tank cleanup tax revenue, the statutory tax rate is applied to the estimated number of gallons. Total diesel fuel revenues are the sum of both tax revenue sources.

Legislative Fiscal Division

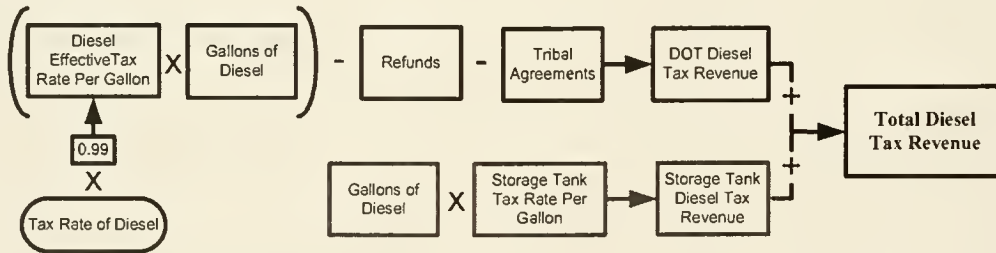
Revenue Estimate Profile

Diesel Tax

Revenue Projection:



Forecast Methodology



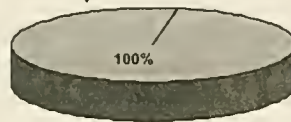
Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Distribution Methodology

State Special Revenue Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Gross</u>	<u>Diesel Tax</u>	<u>Tank Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	56.454757	0.000000	59.780702	54.259213	2.195544
Actual	2001	54.048082	0.000000	57.941310	51.861214	2.186868
Actual	2002	58.260741	0.000000	62.220598	56.094333	2.166408
Actual	2003	60.133456	0.000000	64.332478	57.901809	2.231647
Actual	2004	63.181143	0.000000	67.600256	60.750470	2.430673
Forecast	2005	65.819000	0.000000	70.422431	63.286680	2.532149
Forecast	2006	68.567000	0.000000	73.362427	65.928772	2.637861
Forecast	2007	71.430000	0.000000	76.425162	68.681168	2.747986

	<u>t</u>	<u>Refunds</u>	<u>Diesel</u>	<u>Tank</u>	<u>Gallons</u>	<u>Tank</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Effective</u>	<u>Effective</u>	<u>Millions</u>	<u>Gallons</u>
			<u>Rate</u>	<u>Rate</u>		<u>Millions</u>
Actual	2000	-3.325945	0.274725	0.007500	209.610185	292.739200
Actual	2001	-3.893228	0.274725	0.007500	202.946372	291.582400
Actual	2002	-3.959857	0.274725	0.007500	218.597470	288.854400
Actual	2003	-4.199022	0.274725	0.007500	226.047251	297.552933
Actual	2004	-4.419113	0.274725	0.007500	237.217519	324.089733
Forecast	2005	-4.603602	0.274725	0.007500	247.120876	337.619831
Forecast	2006	-4.795794	0.274725	0.007500	257.437678	351.714784
Forecast	2007	-4.996008	0.274725	0.007500	268.185186	366.398173

	<u>t</u>	<u>GF</u>	<u>DOT</u>	<u>GF</u>	<u>DOT</u>
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.0000%	100.0000%	0.000000	54.259213
Actual	2001	0.0000%	100.0000%	0.000000	51.861214
Actual	2002	0.0000%	100.0000%	0.000000	56.094333
Actual	2003	0.0000%	100.0000%	0.000000	57.901809
Actual	2004	0.0000%	100.0000%	0.000000	60.750470
Forecast	2005	0.0000%	100.0000%	0.000000	63.287000
Forecast	2006	0.0000%	100.0000%	0.000000	65.929000
Forecast	2007	0.0000%	100.0000%	0.000000	68.682000

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Description: The constitution of the state (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of gasoline: 1) the primary source of revenue is a gasoline license tax of \$0.27 per gallon paid to the Department of Transportation (DOT) by every distributor for the privilege of selling gasoline; and 2) a tax of \$.0075 assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the gasoline tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

Applicable Tax Rate(s):

1. Gasoline License Tax - \$0.27 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$0.0075

Distribution: After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account; 3) gasoline tax refunds; and 4) amounts refunded through the international fuel tax agreement, the remainder of the gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account in the state special revenue fund. This amount is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust.
- 1/8 of 1.0% to an off-highway vehicle account in the state special revenue fund. This amount is further allocated 90% for general use (including repair of damaged areas) and 10% for safety.
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- 98.3993% to DOT to be used for highway-related purposes, primarily construction projects and administrative costs. One-fourth of \$.01 per gallon is allocated specifically to the funding of highway system maintenance.

Collection Frequency: Monthly

Major Drivers:

- Gallons sold
- Tax rate
- Alcohol incentives
- Refunds

Potential Factors Influencing Change:

- Economic Factors
 - Fuel price
 - Population change
 - Price of alternative fuels
 - Availability of fuel products
 - New technologies

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

- Social Factors
 - Disturbances in production
 - Government or industry announcements
 - Demand of substitutes, other types of fuel
 - Desire for fuel efficient vehicles
 - Relationships with oil producing countries
- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Environmental law changes
 - Subsidies for alternatives
 - Federal legislative impacts
 - Tax changes
 - Environmental law changes

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statutory Reference:

Tax Rate (MCA) – 15-70-204(1), 15-11-314 (storage tank cleanup)

Distribution (MCA) – 15-70-101(1), 60-3-201(1), 75-11-313 (storage tank cleanup)

Date Due – 25th of the following month (15-70-205(1))

% of Total FY 2004 General Fund Revenue: ·N/A

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

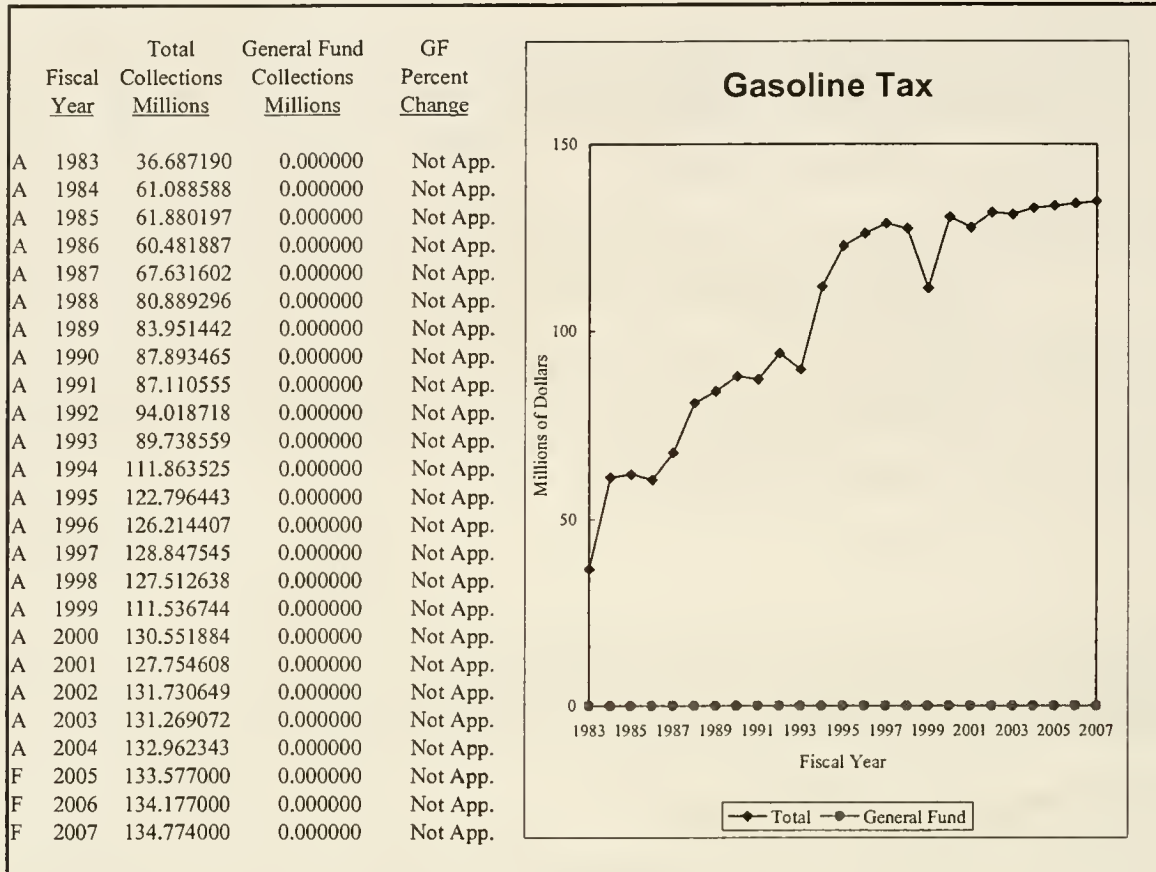
Gasoline tax revenue is calculated by first determining the gallons of gasoline by applying a growth rate to the prior year’s gallons sold. The effective tax rate is 99.0 percent of the statutory tax rate, because law allows the distributor to retain 1.0 percent of the revenue collected. The effective gasoline tax rate is multiplied by the estimated number of gallons to derive gasoline fuel tax revenue. Deductions are then made for refunds, alcohol incentives, and tribal allocations to obtain the estimate of tax receipts. For the petroleum storage tank cleanup tax revenue, the statutory tax rate is applied to the estimated number of gallons. Total gasoline fuel revenues are the sum of both tax revenue sources.

Legislative Fiscal Division

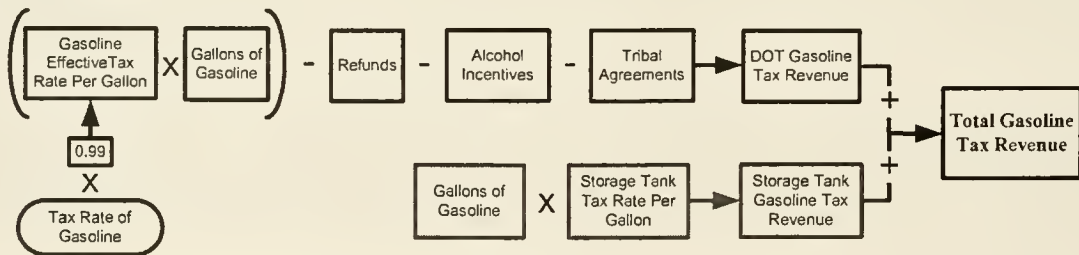
Revenue Estimate Profile

Gasoline Tax

Revenue Projection:

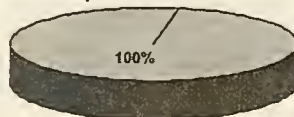


Forecast Methodology



Distribution Methodology

State Special Revenue Fund



Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Gross Tax</u>	<u>Gas Tax</u>	<u>Tank Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	130.551884	0.000000	137.379589	126.764307	3.787577
Actual	2001	127.754608	0.000000	134.969262	124.059136	3.695472
Actual	2002	131.730649	0.000000	138.612875	128.001188	3.729461
Actual	2003	131.269072	0.000000	137.967329	127.490014	3.779058
Actual	2004	132.962343	0.000000	139.553197	129.154089	3.808254
Forecast	2005	133.577000	0.000000	140.158997	129.752186	3.824786
Forecast	2006	134.177000	0.000000	140.767427	130.335774	3.841389
Forecast	2007	134.774000	0.000000	141.378499	130.916157	3.858064

	<u>t</u>	<u>Refunds</u>	<u>Alcohol</u>	<u>Tribal</u>	<u>Gas</u>	<u>Tank</u>	<u>Gallons</u>	<u>Tank</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Incentives</u>	<u>Millions</u>	<u>Effective</u>	<u>Effective</u>	<u>Millions</u>	<u>Gallons</u>
			<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>		<u>Millions</u>
Actual	2000	-3.267807	0.000000	-3.559898	0.267300	0.007500	499.783060	505.01027
Actual	2001	-3.458208	0.000000	-3.756446	0.267300	0.007500	491.110325	492.72960
Actual	2002	-3.152765	0.000000	-3.729461	0.267300	0.007500	504.614343	497.26147
Actual	2003	-2.985118	0.000000	-3.713139	0.267300	0.007500	502.013734	503.87440
Actual	2004	-2.829688	0.000000	-3.761166	0.267300	0.007500	507.837422	507.76720
Forecast	2005	-2.841972	0.000000	-3.740053	0.267300	0.007500	510.041944	509.97142
Forecast	2006	-2.854309	0.000000	-3.735955	0.267300	0.007500	512.256036	512.18520
Forecast	2007	-2.866700	0.000000	-3.737578	0.267300	0.007500	514.479739	514.40860

	<u>t</u>	<u>GF</u>	<u>DOT</u>	<u>FWP Snow</u>	<u>FWP Boat</u>	<u>Aeronautics</u>	<u>Off Highway</u>
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	0.0000%	98.3551%	0.4729%	0.9253%	0.0411%	0.0000%
Actual	2001	0.0000%	98.3544%	0.4698%	0.9272%	0.0418%	0.0000%
Actual	2002	0.0000%	98.3640%	0.4711%	0.9227%	0.0411%	0.0000%
Actual	2003	0.0000%	98.3533%	0.4734%	0.9262%	0.0412%	0.0000%
Actual	2004	0.0000%	98.3535%	0.4734%	0.9262%	0.0412%	0.0000%
Forecast	2005	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2006	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2007	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	t	DOT	FWP Snow	FWP Boat	Aeronautics
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	0.01030%	0.02060%	0.05140%	0.01030%
Actual	2001	0.01030%	0.02050%	0.05140%	0.01030%
Actual	2002	0.01030%	0.01950%	0.04920%	0.01030%
Actual	2003	0.01030%	0.02060%	0.05150%	0.01030%
Actual	2004	0.01030%	0.02060%	0.05140%	0.01030%
Forecast	2005	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2006	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2007	0.00540%	0.02320%	0.04640%	0.01250%

	t	GF	DOT	FWP Snow	FWP Boat	Aeronautics	Off Highway
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	124.679120	0.599491	1.172918	0.052130	0.143357
Actual	2001	0.000000	122.017676	0.582819	1.150251	0.051863	0.141735
Actual	2002	0.000000	125.907096	0.603018	1.181094	0.052552	0.143185
Actual	2003	0.000000	125.390592	0.603563	1.180857	0.052481	0.144352
Actual	2004	0.000000	127.027523	0.611397	1.196224	0.053166	0.146194
Forecast	2005	0.000000	127.616000	0.615000	1.201000	0.053000	0.150000
Forecast	2006	0.000000	128.189000	0.618000	1.207000	0.054000	0.151000
Forecast	2007	0.000000	128.762000	0.620000	1.212000	0.054000	0.151000

	t	Weed	Snow Enforce.	Snow Con-Ed.	OHV Con-Ed.
	<u>Fiscal</u>	<u>Gasoline</u> <u>Millions</u>	<u>Gasoline</u> <u>Millions</u>	<u>Gasoline</u> <u>Millions</u>	<u>Gasoline</u> <u>Millions</u>
Actual	2000	0.013032	0.026065	0.065162	0.013032
Actual	2001	0.012782	0.025441	0.063787	0.012782
Actual	2002	0.013138	0.024943	0.063024	0.013138
Actual	2003	0.013120	0.026270	0.065659	0.013120
Actual	2004	0.013299	0.026570	0.066424	0.013292
Forecast	2005	0.007000	0.031000	0.062000	0.017000
Forecast	2006	0.007000	0.031000	0.062000	0.017000
Forecast	2007	0.007000	0.031000	0.062000	0.017000

Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Description: There are two types of revenue derived from over 20 different sources classified under gross vehicle weight (GVW) and other income: fee revenue and permit revenue. The majority of revenue is derived from a variety of GVW fees, including those fees collected by counties when vehicles are registered. Miscellaneous permits comprise the second income component under this source.

Applicable Tax Rate(s): Various

Distribution: The majority of GVW revenue is allocated to the Department of Transportation. The single state registration system fee is deposited to the general fund and is accounted for in the "All Other General Fund Revenue" profile.

Collection Frequency: Various

Major Drivers:

- Number of permits sold
- Amount of fee
- Number of vehicles

Potential Factors Influencing Change:

- Economic Factors
 - Manufacturing, agriculture, logging production
 - Vehicle sales
 - Gas prices
- Social Factors
 - Government or industry announcements, trucking
 - Alternative freight methods
- Legislative Factors
 - State legislative impacts
 - Fee changes
 - Industry/vehicle regulations
 - Federal legislative impacts
 - Industry/vehicle regulations
 - Changes in tax/fees

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statutory Reference:

Tax Rate – Multiple, single state registration fee (Administrative Rules 18.8.202)

Tax Distribution (MCA) – Multiple, single state registration fee (61-3-708)

Date Due – upon registration and annually thereafter or prior to the new year if permit is wanted by then (61-3-708)

% of Total FY 2004 General Fund Revenue: 0.00% (the general portion is included in "All Other General Fund")

Legislative Fiscal Division

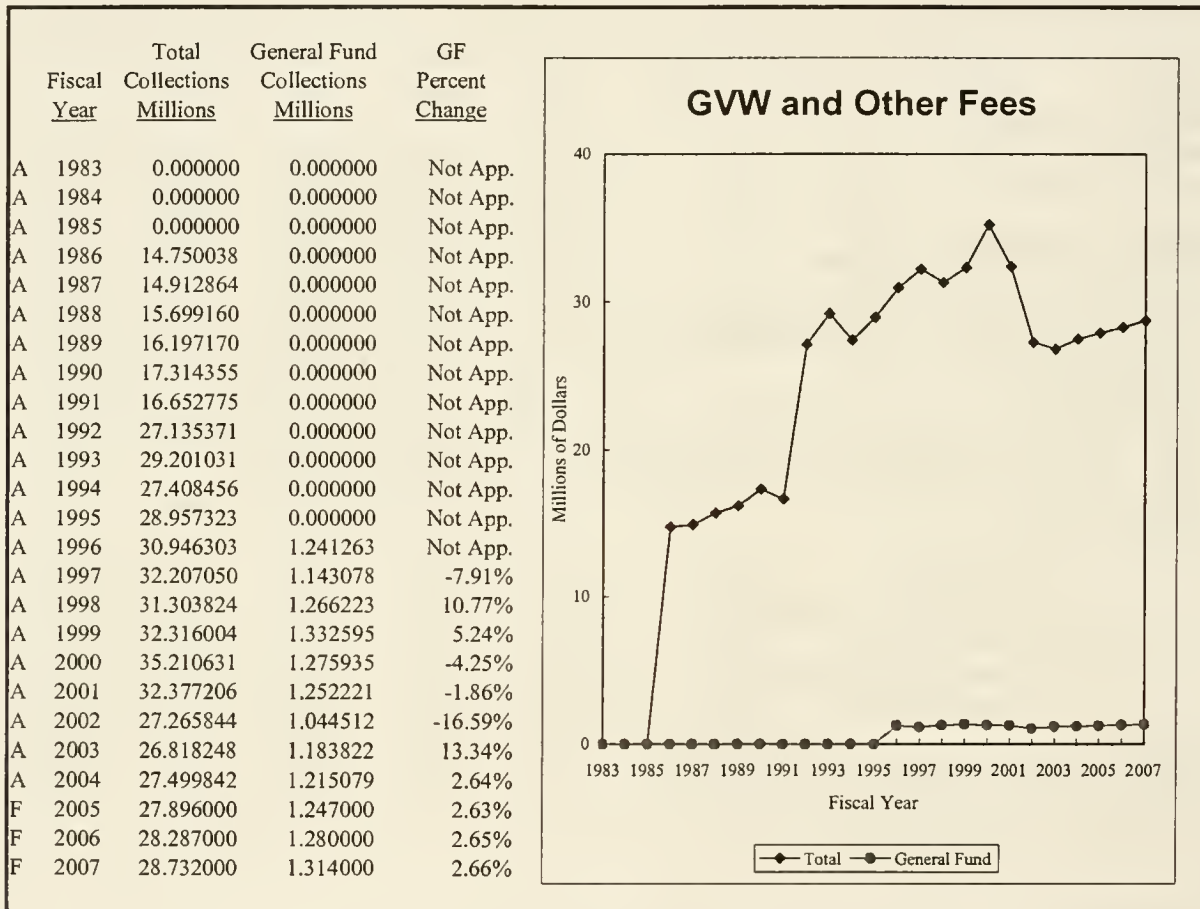
Revenue Estimate Profile

GVW and Other Fees

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD estimates 12 separate components to determine GVW revenues. The components include various fees and permits based on the vehicle's gross weight. A compound growth rate is developed and applied to each of the components. Then the components are summed to produce the estimate for GVW revenues.

Revenue Projection:



Forecast Methodology

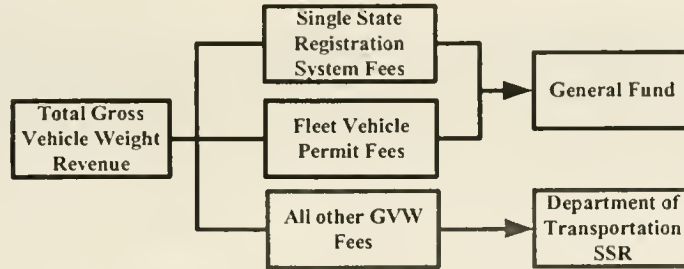


Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>GVW</u> <u>Millions</u>	<u>SSRS</u> <u>Millions</u>	<u>Form 3</u> <u>Millions</u>	<u>Trip</u> <u>Millions</u>	<u>County</u> <u>Millions</u>
Actual	2000	35.210631	1.275935	8.852775	1.275935	0.855910	0.880540	7.321056
Actual	2001	32.377206	1.252221	8.363842	1.252221	0.812782	0.844991	7.681434
Actual	2002	27.265844	1.044512	8.813717	1.044512	0.859843	0.440875	8.933475
Actual	2003	26.818248	1.183822	8.503261	1.183822	1.043854	0.441475	8.800388
Actual	2004	27.499842	1.215079	8.586289	1.215080	1.006892	0.455112	9.397954
Forecast	2005	27.896000	1.247000	8.708122	1.247163	1.025373	0.455112	9.531304
Forecast	2006	28.287000	1.280000	8.831683	1.280093	1.016133	0.455112	9.666546
Forecast	2007	28.732000	1.314000	8.956998	1.313892	1.020753	0.455112	9.803707

	<u>t</u> <u>Fiscal</u>	<u>Sales</u> <u>Millions</u>	<u>Overweight</u> <u>Millions</u>	<u>Special</u> <u>Millions</u>	<u>Restricted</u> <u>Millions</u>	<u>Fuel</u> <u>Millions</u>	<u>LPG</u> <u>Millions</u>	<u>Other</u> <u>Millions</u>
Actual	2000	12.533721	1.459102	0.918654	0.000000	0.105370	0.000000	1.007568
Actual	2001	9.923131	1.768619	0.953853	0.000000	0.124626	0.000000	0.651707
Actual	2002	-0.639815	1.845340	0.902845	0.000000	0.107580	0.000000	4.957472
Actual	2003	0.000000	1.815747	0.921775	0.000000	0.105750	0.000000	4.002176
Actual	2004	0.000000	1.902635	0.977915	0.000000	0.108120	0.000000	3.849845
Forecast	2005	0.000000	1.975324	0.994231	0.000000	0.109747	0.000000	3.849845
Forecast	2006	0.000000	2.064098	1.013017	0.000000	0.110263	0.000000	3.849845
Forecast	2007	0.000000	2.193544	1.028190	0.000000	0.110208	0.000000	3.849845

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A portion of the excise tax revenue is returned to Indian tribes through an agreement with the department.

Applicable Tax Rate(s):

Excise Tax Rate

- 16.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate

- 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

Distribution:

Excise tax revenue, less amounts distributed to Indian tribes, is deposited in the enterprise fund for transfer to the general fund.

License tax revenue is allocated to the enterprise fund for transfer 34.5 % to the general fund and 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs.

Collection Frequency: Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

Major Drivers:

- Value of liquor sold
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements
 - Demand of substitutes
 - Public perception of health and addiction risks

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

- Legislative Factors
 - State legislative impacts
 - Tax related changes
 - Changes in laws and penalties addressing alcohol related activities (i.e. legal drinking age)
 - Federal legislative impacts
 - Tax changes
 - Pressure exerted on Montana to enact or change laws addressing alcohol related activities

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)

Tax Distribution (MCA) – Excise tax (16-16-1-401), License tax (16-1-404)

Date Due – Excise tax is collected at the time of sale and distributed by the 10th day of each month. License tax is collected at the time of sale.

% of Total FY 2004 General Fund Revenue: 0.78%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

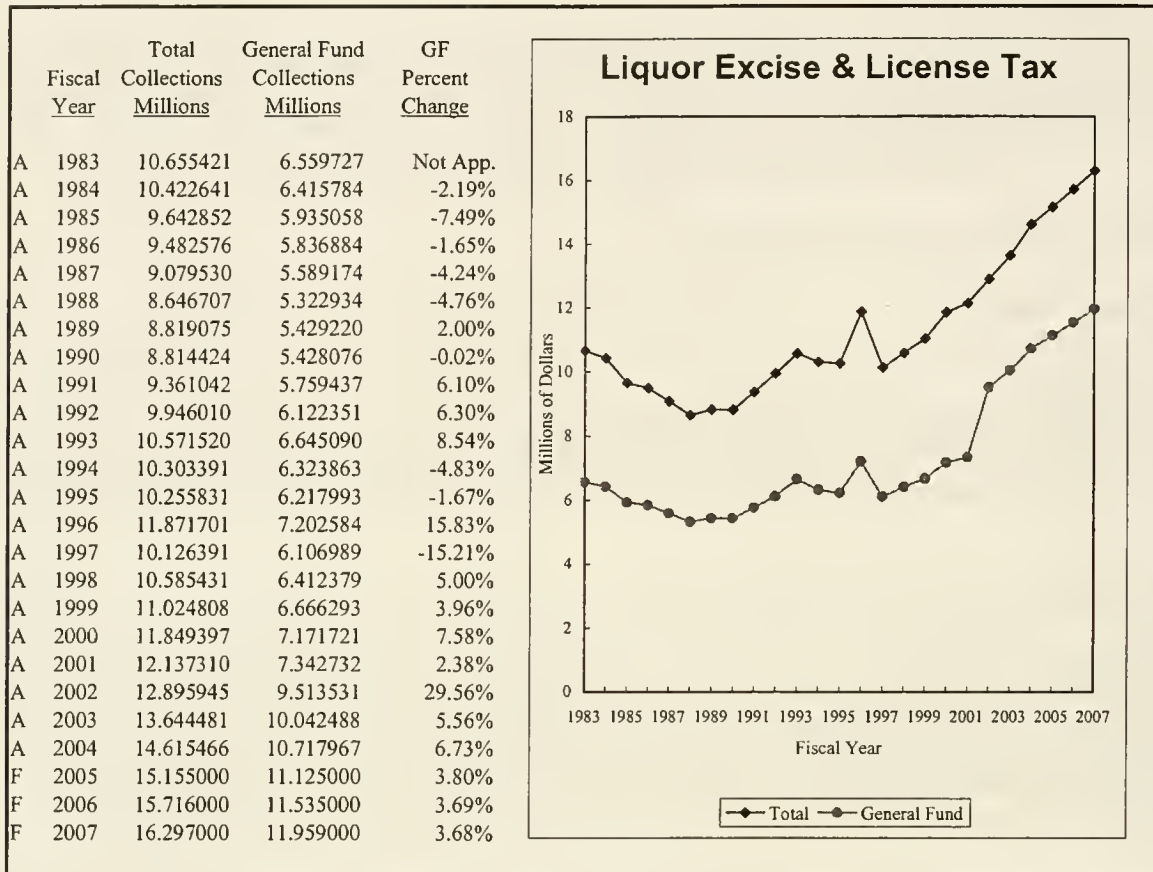
In order to estimate total liquor tax revenue, the LFD applies a regression model to gross sales to estimate future gross sales. Estimated gross sales for each year are multiplied by the applicable tax rate. Total collections shown on the following graph include both the license and excise tax revenue.

Legislative Fiscal Division

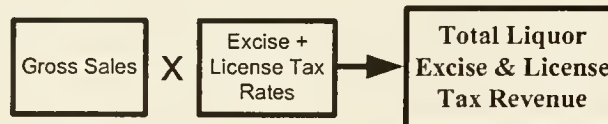
Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Projection:



Forecast Methodology

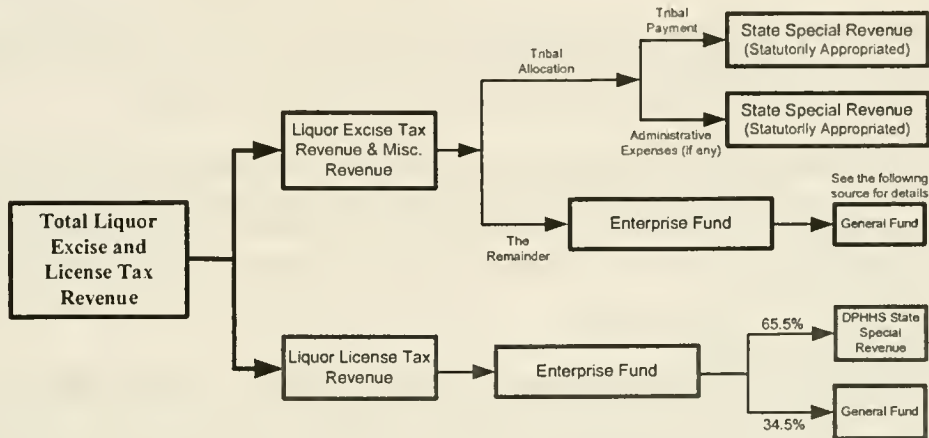


Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Tribal</u> <u>Millions</u>	<u>Gross</u> <u>Sales</u>	<u>Excise</u> <u>Rate</u>	<u>License</u> <u>Rate</u>	<u>GF Tax</u> <u>Allocation</u>
Actual	2000	11.849397	7.171721	0.118276	45.609283	0.160000	0.100000	
Actual	2001	12.137310	7.342732	0.126171	46.701813	0.160000	0.100000	
Actual	2002	12.895945	9.513531	0.133456	49.615021	0.160000	0.100000	0.344908
Actual	2003	13.644481	10.042488	0.165323	52.479352	0.160000	0.100000	0.345000
Actual	2004	14.615466	10.717967	0.216395	56.212333	0.160000	0.100000	0.345000
Forecast	2005	15.155000	11.125000	0.212000	58.288629	0.160000	0.100000	0.345000
Forecast	2006	15.716000	11.535000	0.222000	60.445308	0.160000	0.100000	0.345000
Forecast	2007	16.297000	11.959000	0.232000	62.681785	0.160000	0.100000	0.345000

$$\text{GF Tax} = \text{Gross Sales} * \text{Excise Rate} - \text{Tribal} + \text{Gross Sales} * \text{License Rate} * \text{GF Tax Allocation}$$

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor and fortified wine to retail liquor establishments throughout the state. These sales result in profits that are deposited in the general fund. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and fortified wine, less costs such as commissions and discounts. House Bill 348 enacted by the 2001 legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning fiscal 2003. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up percentage on the base cost of fortified wine (excluding hard cider) varies according to the size of the container:

- 1.5 liter – 42% plus \$0.27/bottle
- 1.0, .720 and .750 liter – 51% plus \$0.12/bottle
- .375 liter – 59% plus \$0.02/bottle

The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

Applicable Tax Rate(s): N/A

Distribution: Liquor profits are usually deposited in the general fund annually.

Collection Frequency: Payment for liquor purchases are due within 60 days of the invoice date and revenue is deposited into an enterprise fund.

Major Drivers:

- Value of liquor and fortified wine sold
- Cost of goods sold
- Department of Revenue program costs including commissions and discounts

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements
 - Demand of substitutes
 - Public perception of health and addiction risks
- Legislative Factors
 - State legislative impacts
 - Amount appropriated from the enterprise fund
 - Tax related changes that change the cost of the products
 - Markup percentage (determined by administrative rule)
 - Changes in laws and penalties addressing alcohol related activities (i.e. legal drinking age)
 - Federal legislative impacts
 - Tax changes
 - Pressure exerted on Montana to enact or change laws addressing alcohol related activities

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Data Source(s): SABHRS, MBARS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate – Authority to markup the price is found in 16-1-404(2) and ARM 42.11.104

Tax Distribution (MCA) – 16-2-108(4)

Date Due - NA

% of Total FY 2004 General Fund Revenue: 0.47%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

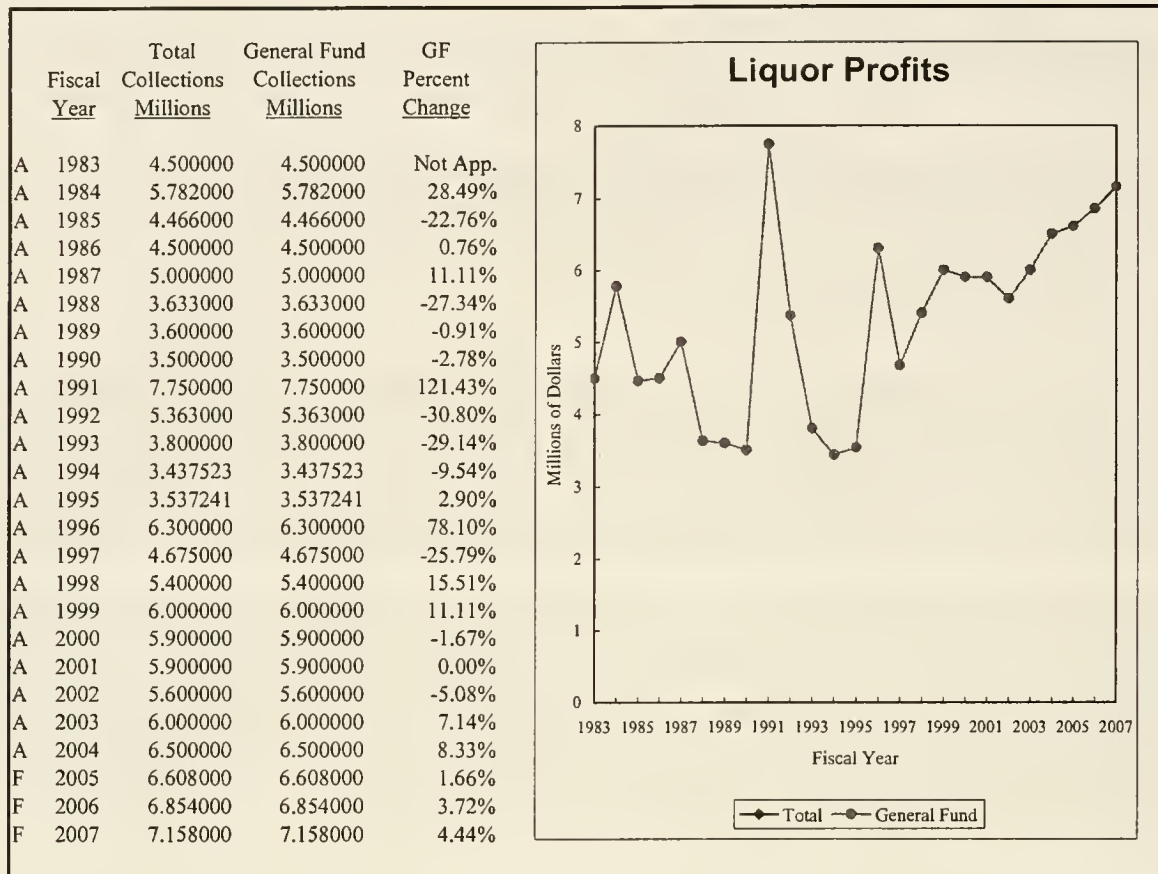
Liquor profits are estimated by determining gross sales and subtracting the various associated costs, including: discounts, commissions, cost of goods sold, and operating costs. Commission percentages vary according to the franchise agreement held between the state and agency liquor stores. An 8.0 percent discount is applied for liquor purchased in unbroken case lots. The cost of goods sold includes the state's cost of purchasing the liquor, including freight. Operating costs include the expense of running the state's liquor business. Future gross sales are estimated using a regression model. Costs are estimated by using the sales to cost ratio from the previous year. Discounts are estimated by the previous fiscal year discount/sales ratio applied to sales. Operating costs are obtained from agency budget requests. Other miscellaneous revenue is estimated by using a 3-year running average.

Legislative Fiscal Division

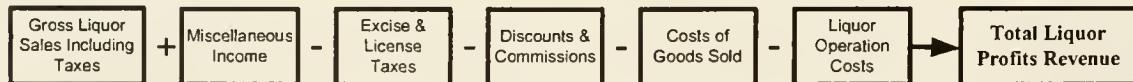
Revenue Estimate Profile

Liquor Profits

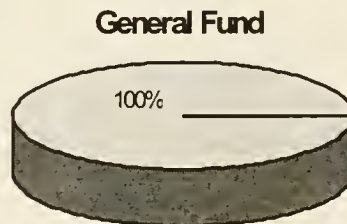
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>GF Profit</u> <u>Millions</u>	<u>Gross</u> <u>Sales</u>	<u>Excise/Lic</u> <u>Tax</u>	<u>Dis/Comm</u> <u>Millions</u>	<u>Cost of</u> <u>Goods</u>	<u>Operation</u> <u>Costs</u>	<u>Other</u> <u>Income</u>
Actual	2000	5.900000	57.467696	11.853082	6.003244	32.318259	1.202429	0.039667
Actual	2001	5.900000	58.844284	12.141061	6.134579	33.666541	1.301124	0.003416
Actual	2002	5.600000	62.514926	12.898347	6.797458	35.279453	1.477563	0.008387
Actual	2003	6.000000	66.123983	13.643474	7.432835	37.321005	1.484600	0.007831
Actual	2004	6.500000	70.827539	14.613826	8.165280	39.933421	1.299518	0.009589
Forecast	2005	6.608000	73.443672	15.155044	8.467395	41.920179	1.301755	0.008602
Forecast	2006	6.854000	76.161088	15.715780	8.780689	43.471225	1.348516	0.008674
Forecast	2007	7.158000	78.979049	16.297264	9.105575	45.079661	1.347718	0.008955

GF Profit = Gross Sales + Other Income – Excise /Lic Tax – Dis/Comm – Cost of Goods – Operation Costs

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Description: The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as “any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize”. The games are administered by the Department of Administration. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prizes.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Sales revenue is initially deposited into an enterprise fund known as the state lottery fund. After paying prizes, ticket costs, commissions, and other operating costs, any profits are transferred to the general fund.

Applicable Tax Rate(s): There is no actual tax rate involved. However, applicants for sales agent licenses are charged a \$50.00 fee to cover the cost of investigating and processing the applications.

Distribution: All gross lottery revenue not used for prizes, commissions, administration, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 legislature, requires the Department of Commerce to submit a biennium budget for the state lottery fund for appropriation by the legislature. By determining the amount appropriated, the legislature has better control over the amount transferred to the general fund.

Collection Frequency: Lottery revenues are collected on an on-going basis. Transfers to the general fund are usually made quarterly.

Major Drivers:

- Ticket sales
- Prizes
- Commissions
- Administration and operating costs

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors –
 - Larger jackpots tend to increase ticket sales
 - Competition from other forms of gambling
 - Competition from other forms of entertainment
 - Public perception of addiction risks
- Legislative Factors
 - State legislative impacts
 - Amount appropriated from the enterprise fund
 - Minimum percent for prizes set in statute
 - Federal legislative impacts
 - Effects on disposable income

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Data Source(s): SABHRS, MBARS, Department of Revenue, Department of Administration - Montana Lottery

Contacts: Department of Administration

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – 23-7-402(3)

Date Due – quarterly (23-7-402(3))

% of Total FY 2004 General Fund Revenue: 0.59%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

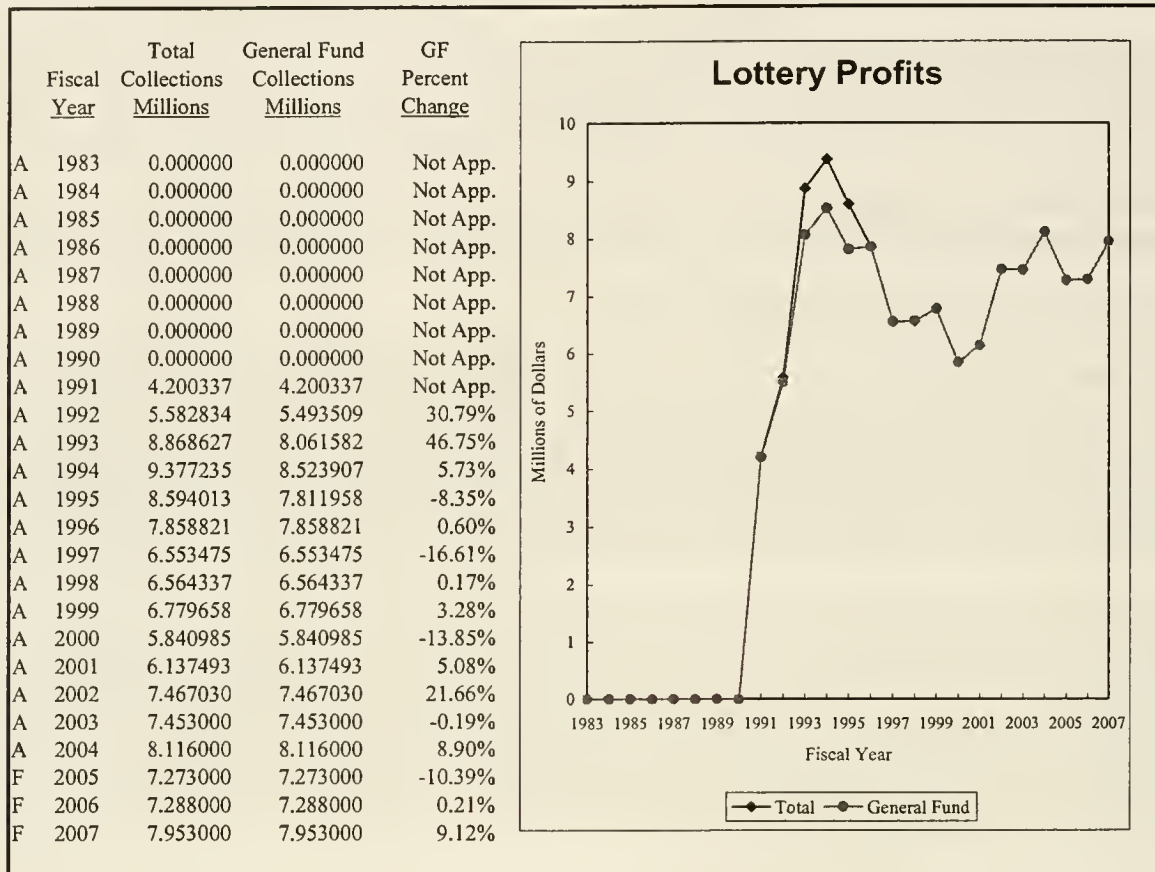
The estimate of lottery profits requires projecting several components of lottery operations. First, the amount of license receipts issued, provided by the Montana Lottery Commission, in fiscal 2004 is continued through the 2007 biennium. To estimate the number of tickets that will be sold during the biennium, the per-capita sales in fiscal 2003 is increased using Montana population estimates, provided by Global Insight. Interest earnings on gross revenues in the enterprise fund are estimated using short-term interest rates and an average daily balance. Other income is held constant at fiscal 2004 levels. These components are added together to obtain the total estimate of lottery revenues. Estimated costs of operations are obtained from the Montana Lottery Commission budget requests, and prize payments are estimated using a prize to ticket sale ratio, estimated from a 3-year running average. Total estimated revenues are reduced by estimated costs to derive lottery profits.

Legislative Fiscal Division

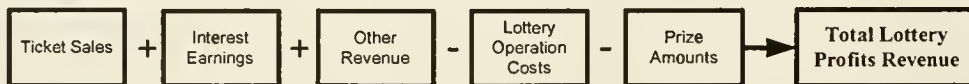
Revenue Estimate Profile

Lottery Profits

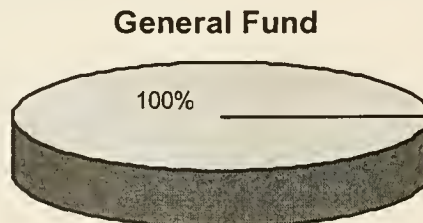
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Profit</u>	<u>GF Profits</u>	<u>Sales</u>	<u>Interest</u>	<u>Other</u>	<u>Operating</u>	<u>Prizes</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	5.840985	5.840985	29.899809	0.278620	0.075465	7.091950	17.320959
Actual	2001	6.137493	6.137493	30.366526	0.275320	0.056324	7.098631	17.462046
Actual	2002	7.467030	7.467030	33.632276	0.145685	0.039096	7.264246	19.085781
Actual	2003	7.453281	7.453281	34.682494	0.077164	0.014065	7.721733	19.598709
Actual	2004	8.115602	8.115602	36.737657	0.043993	0.002536	7.897710	20.770874
Forecast	2005	7.273000	7.273000	34.984738	0.063214	0.002536	7.976687	19.800872
Forecast	2006	7.288000	7.288000	35.135860	0.092355	0.002536	8.056457	19.886405
Forecast	2007	7.953000	7.953000	35.249202	0.103469	0.002536	7.451322	19.950555

$$\text{GF Profits} = \text{Sales} + \text{Interest} + \text{Other} - \text{Operating} - \text{Prizes}$$

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Description: The tobacco tax is an excise tax on tobacco products sold in Montana. Cigarettes are not subject to the tobacco tax. The tax is considered a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 that doubled the tax on all tobacco products other than cigarettes and moist snuff from 12.5 percent to 25.0 percent of the wholesale price. Furthermore, moist snuff is now taxed individually, increasing the rate from the equivalent of \$0.28 an ounce to \$0.35 an ounce. Beginning January 1, 2005, the electorate approved I-149 that raised the tax on other tobacco products to 50 percent of the wholesale price and moist snuff to \$0.85 per ounce. Wholesalers are allowed a discount of 2.5 percent, until January 1, 2005 when the discount will be reduced to 1.5 percent, to cover collection and administrative expenses. The wholesaler is entitled to a refund for tobacco products that remain unsold. I-149 adjusted distributions to allow half of the tax revenues to flow into the state general fund and half to flow into a new state special revenue fund for health and Medicaid initiatives.

The state has tobacco revenue sharing agreements with three tribes in Montana. In the agreements with the Blackfeet, Ft. Belknap, and Ft. Peck tribes, the state collects the tax imposed by the tribes and distributes the revenue to the tribes on a quarterly basis. Indian consumers of tobacco on other reservations are exempt from paying the tobacco tax.

Applicable Tax Rate(s):

Through December 2004

- Tobacco products - 25.0 percent of the wholesale price
- Moist snuff - \$0.35 per ounce

Beginning January 2005

- Tobacco products - 50.0 percent of the wholesale price
- Moist snuff - \$0.85 per ounce

Distribution:

Through December 2004

- All proceeds, less distributions paid according to tribal agreements, are deposited into the general fund

Beginning January 2005

- 50% to a state special revenue fund to be used of health and Medicaid initiatives
- 50% to the general fund

Collection Frequency: Monthly

Major Drivers:

- Tobacco value
- Tax rate
- Ounces of moist snuff
- Discounts and credits

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - Disposable income change
 - Tobacco advertising

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

- Tobacco regulation
 - Tobacco information regulations
- Social Factors
 - Government or industry announcements
 - Demand of substitutes
 - Perspectives concerning use of smokeless tobacco
- Legislative Factors
 - State legislative impacts
 - Changes in price / tax
 - Federal legislative impacts
 - Changes / adoption of laws concerning tobacco use
 - Changes in federal tobacco use taxes

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-11-202(2)

Tax Distribution (MCA) – 16-11-206

Date Due – prior to the sale of tobacco products (16-11-203)

% of Total FY 2004 General Fund Revenue: 0.26%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

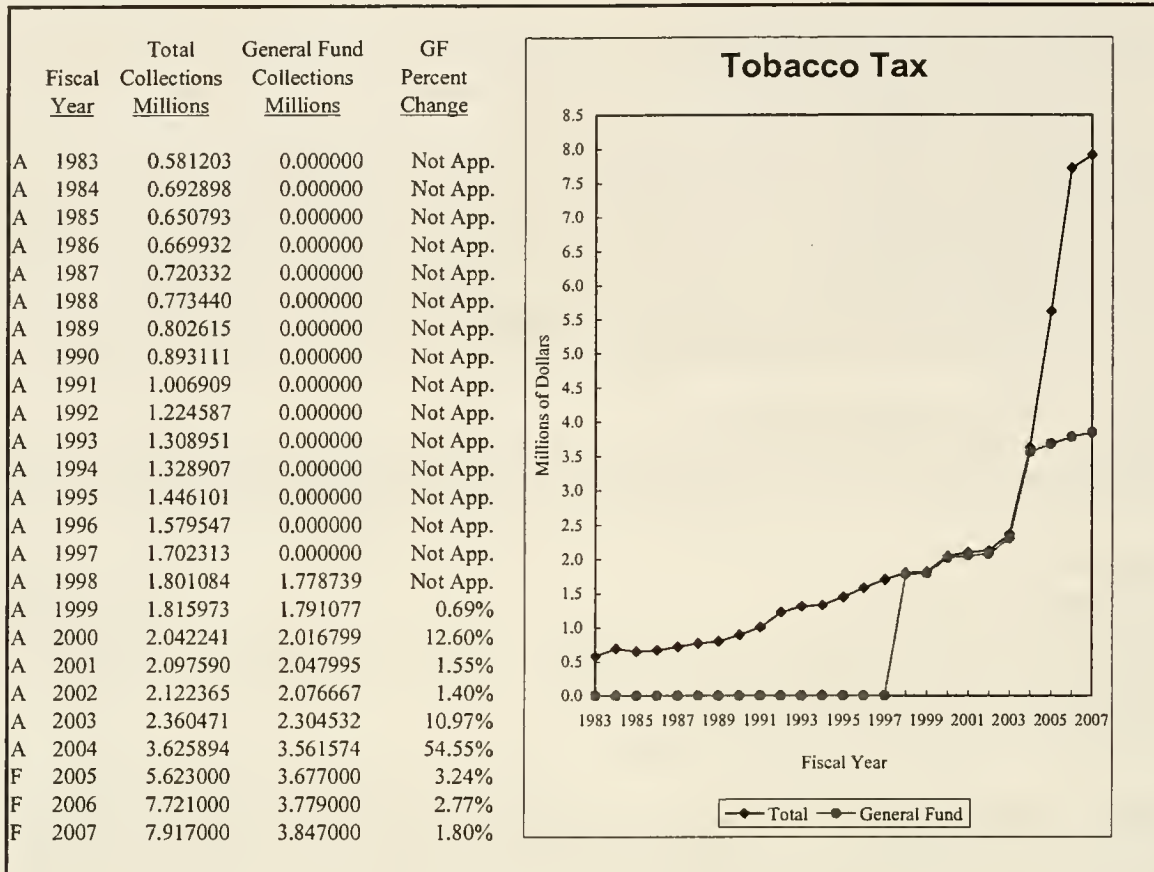
The LFD estimates tobacco tax revenues with a multi-step process, estimating other tobacco products and moist snuff independently. First, a trend model is used to determine the growth in tobacco consumption. The rate of growth is applied to the latest actual consumption of both other tobacco products and moist snuff. In fiscal 2003 and 2004, following an increase in the tax rate by SB 409, a price elasticity factor was applied to the estimate of all other tobacco products taxable value and ounces of moist snuff that predicted a decline in consumption of 4.4 percent for each 10 percent increase in price (based on the change in the first year of increase). In fiscal 2005, a higher elasticity factor is used equating to an 8 percent decline in consumption for each 10 percent increase in price (based on the change in the first year of increase). Next, the tax rates are applied to the projected taxable value of other tobacco products and ounces of moist snuff to determine the total tobacco tax receipts. Estimates for discounts, credits, and other adjustments are then subtracted to derive the available tax revenue.

Legislative Fiscal Division

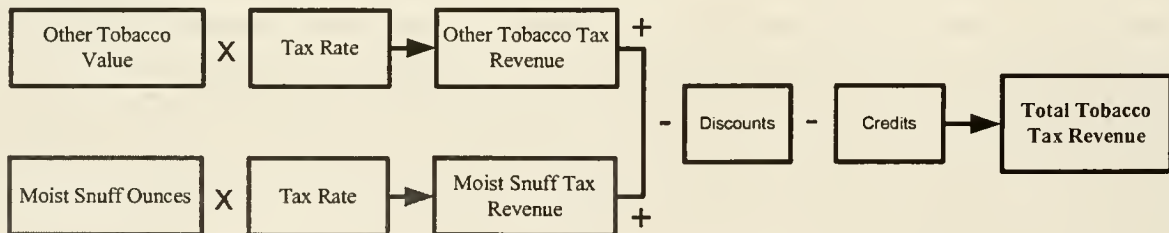
Revenue Estimate Profile

Tobacco Tax

Revenue Projection:



Forecast Methodology

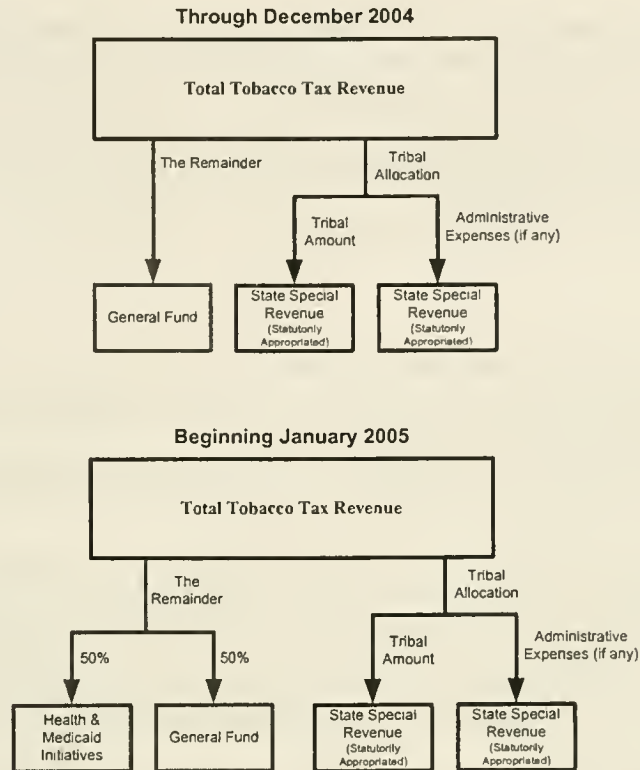


Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Tribal	Other Value	Tax Rate	Snuff Ounces	Tax Rate
	Fiscal	Millions	Millions	Millions	Millions	Percent	Millions	Per Ounce
Actual	2000	2.042241	2.016799	0.025442	16.337928	12.5000%		
Actual	2001	2.097590	2.047995	0.049595	16.780720	12.5000%		
Actual	2002	2.122365	2.076667	0.045698	16.978920	12.5000%		
Actual	2003	2.360471	2.304532	0.055939	18.883768	12.5000%		
Actual	2004	3.625894	3.561574	0.064320	4.160119	25.0000%	8.079726	0.350000
Forecast	2005	5.623000	3.677000	0.085000	3.829952	37.5000%	7.393124	0.600000
Forecast	2006	7.721000	3.779000	0.163000	3.735682	50.0000%	7.255390	0.850000
Forecast	2007	7.917000	3.847000	0.223000	3.830591	50.0000%	7.439721	0.850000

	t	Disc. Other	Disc. Snuff	Credits
	Fiscal	Millions	Millions	Millions
Actual	2000			
Actual	2001			
Actual	2002			
Actual	2003			
Actual	2004	0.030860	0.065578	0.091947
Forecast	2005	0.026798	0.080825	0.141553
Forecast	2006	0.028017	0.092506	0.193690
Forecast	2007	0.028730	0.094856	0.198611

$$\text{GF Tax} = \text{Other Value} * \text{Tax Rate} + \text{Snuff Ounces} * \text{Tax Rate} - \text{Discounts} - \text{Credits} - \text{Tribal}$$

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Revenue Description: Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0 percent of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. With the enactment of House Bill 124 by the 2001 legislature, all of the video gambling tax is deposited into the general fund.

Applicable Tax Rate(s):

License Fees

- Video Gambling Machine Permit - \$220 annually (prorated basis), \$25 machine transfer processing fee
- Video Gambling Machine Permit Surcharge - \$10 annually per machine in establishments with fewer than 20 machines, \$20 annually per machine in establishments with 20 machines
- Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- Antique Slot Machine Seller Permit - \$50 annually
- Live Card Game Table - \$250 annually for the first table and \$500 for each additional table
- Card Game Dealer License - \$75 for the first year, \$25 for each subsequent year
- Pinochle Tournament Permit - \$25
- Card Room Contractor License - \$150 annually
- Bingo/Keno Permit - \$250 annually
- Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - \$25

Gambling Taxes

- Video - 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs - \$1.00 for each 100 sport tabs sold
- Annual permit surcharge - \$10.00 per machine for establishments with fewer than 20 machines, \$20.00 per machine for establishments with 20 machines

Distribution:

License Fees

1. \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
2. All of the video gambling machine permit surcharge fee is deposited to the general fund.
3. All other license fee revenue is retained by DOJ to cover administrative costs.

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Gambling Taxes

1. Video - All of video gambling tax receipts are deposited into the general fund.
2. Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
3. Sport Tabs – All collections are retained by DOJ for administration purposes.

Collection Frequency: Video tax – quarterly, machine permit fees – quarterly, other fees – annually

Major Drivers:

- Gross video gambling income (defined as net of payouts)
- Tax rate
- Fee amounts

Potential Factors Influencing Change:

- Economic Factors
 - Personal income changes
 - Population changes
- Social Factors
 - Government or industry announcements
 - Gambling substitutes
 - Entertainment substitutes
 - Perception of addiction risks
 - Ease of gambling and perception of enjoyment
- Legislative Factors
 - State legislative impacts
 - Tax and related changes
 - Licensing restrictions
 - Federal legislative impacts
 - Changes affecting disposable income

Data Source(s): SABHRS, Department of Justice

Contacts: Department of Justice

Statutory Reference:

Tax Rate (MCA) – card table fee (23-5-306(2)), video tax (23-5-610(1)), machine permit fee (23-5-612(2))

Tax Distribution (MCA) - card table fee (23-5-306(3&4)), video (23-5-610(6)), machine permit fee (23-5-612(3))

Date Due – card table fees due annually and distributed quarterly to local governments (23-5-306(1&4)), video tax due 15 and 25 days after the end of the quarter (23-5-610(5)(a&b)), machine permit fees due annually prorated on a quarterly basis (23-5-612(2a))

% of Total FY 2004 General Fund Revenue: 3.69%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to

Legislative Fiscal Division

Revenue Estimate Profile

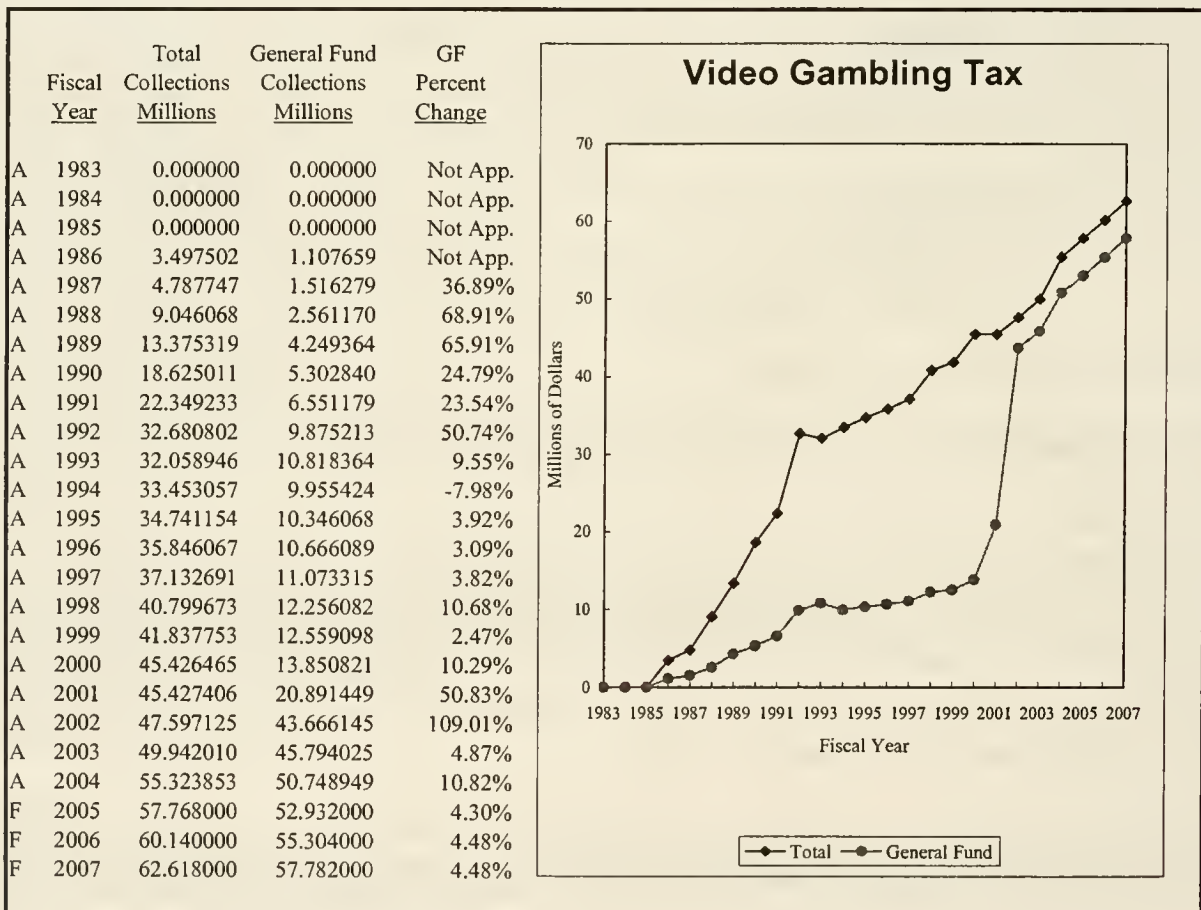
Video Gambling Tax

biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Total video gambling revenue estimates are derived through a multi-step process. The first step involves estimating license fee revenue. The number of machine licenses, estimated by prior year growth, is multiplied by the appropriate fee for each machine type. The income for each machine license type is tallied, including the surcharge fee. Next, gambling license fee revenue is calculated by multiplying the anticipated number of licenses by the appropriate fee for each game type. The income for each license type is then totaled. Manufacturer license fee income is calculated by multiplying the anticipated number of manufacturer/distributor licenses by the statutory fee. The sum of all of these components; machine license revenue, game license revenue, and manufacturers' license fees; comprise total license fee revenue.

Current year (fiscal 2005) video gross income (defined as net of payouts) is estimated by a growth rate derived from recent per capita video gambling. Future video gross income is estimated by using the compound growth of per capita video gambling. Video gambling tax revenue is calculated by multiplying video gross income by the tax rate. This revenue is then added to the license fee revenue to determine total video gaming tax revenue estimates.

Revenue Projection:

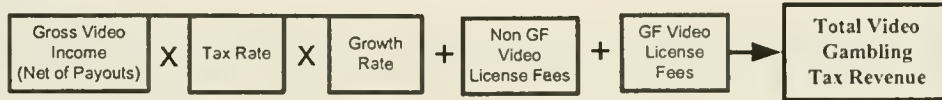


Legislative Fiscal Division

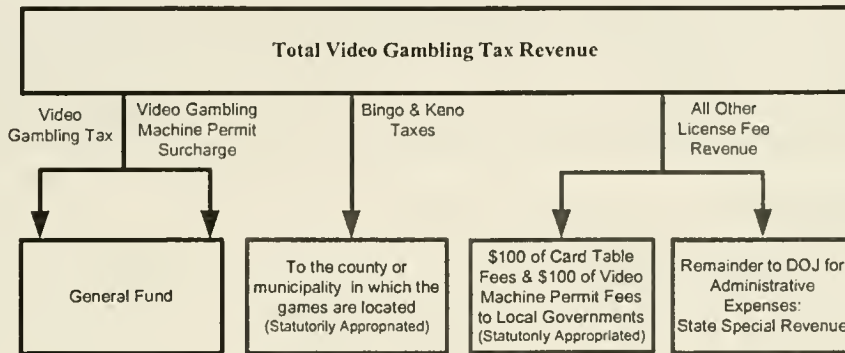
Revenue Estimate Profile

Video Gambling Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Net Income		Net Income	
	Fiscal	Millions	Millions	Millions	Tax Rate	Tax Millions	Non GF Fee Millions
Actual	2000	45.426465	13.850821	269.776957	0.150000	41.431382	3.995083
Actual	2001	45.427406	20.891449	275.867992	0.150000	41.502013	3.925393
Actual	2002	47.597125	43.666145	290.298949	0.150000	43.668454	3.928671
Actual	2003	49.942010	45.794025	307.161266	0.150000	45.816379	4.125631
Actual	2004	55.323853	50.748949	332.902749	0.150000	50.495647	4.828206
Forecast	2005	57.768000	52.932000	352.876914	0.150000	52.932000	4.836000
Forecast	2006	60.140000	55.304000	368.688270	0.150000	55.304000	4.836000
Forecast	2007	62.618000	57.782000	385.208085	0.150000	57.782000	4.836000

	t	Annual	Tax	Tax	GF Percent
	Fiscal	Growth Rate	Credits Millions	Efficiencies Millions	Allocation
Actual	2000	0.067667	0.000000	0.000000	0.334307
Actual	2001	0.022578	0.000000	0.000000	0.503384
Actual	2002	0.052311	0.000000	0.000000	0.999840
Actual	2003	0.058086	0.000000	0.000000	0.999512
Actual	2004	0.083804	0.000000	0.000000	0.999604
Forecast	2005	0.060000	0.000000	0.000000	1.000000
Forecast	2006	0.044807	0.000000	0.000000	1.000000
Forecast	2007	0.044807	0.000000	0.000000	1.000000

$$\text{GF Tax} = \text{Net Income} * \text{Tax Rate} + \text{GF Fee}$$

Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Revenue Description: A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Indian tribes per an agreement between DOR and the tribes.

Applicable Tax Rate(s): A tax of \$0.27 is imposed per liter of wine and a tax of \$0.037 per liter is imposed on hard cider. An additional tax of \$0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

Distribution: The \$0.01 per liter tax is deposited into the general fund. Other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the DPHHS alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

Collection Frequency: Monthly

Major Drivers:

- Liters of wine
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Montana disposable income
 - Montana per capita wine consumption
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements
 - Demand of substitutes, beer and alcohol
- Legislative Factors
 - State legislative impacts
 - Changes in wine price and tax
 - Changes in alcohol regulation
 - Federal legislative impacts
 - Changes in alcohol regulation

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-1-411(1), 16-2-301(2)

Tax Distribution (MCA) – 16-1-411(3)

Date Due – 15th day of the month following the sale from the distributor's warehouse (16-1-411(2))

% of Total FY 2004 General Fund Revenue: 0.10%

Legislative Fiscal Division

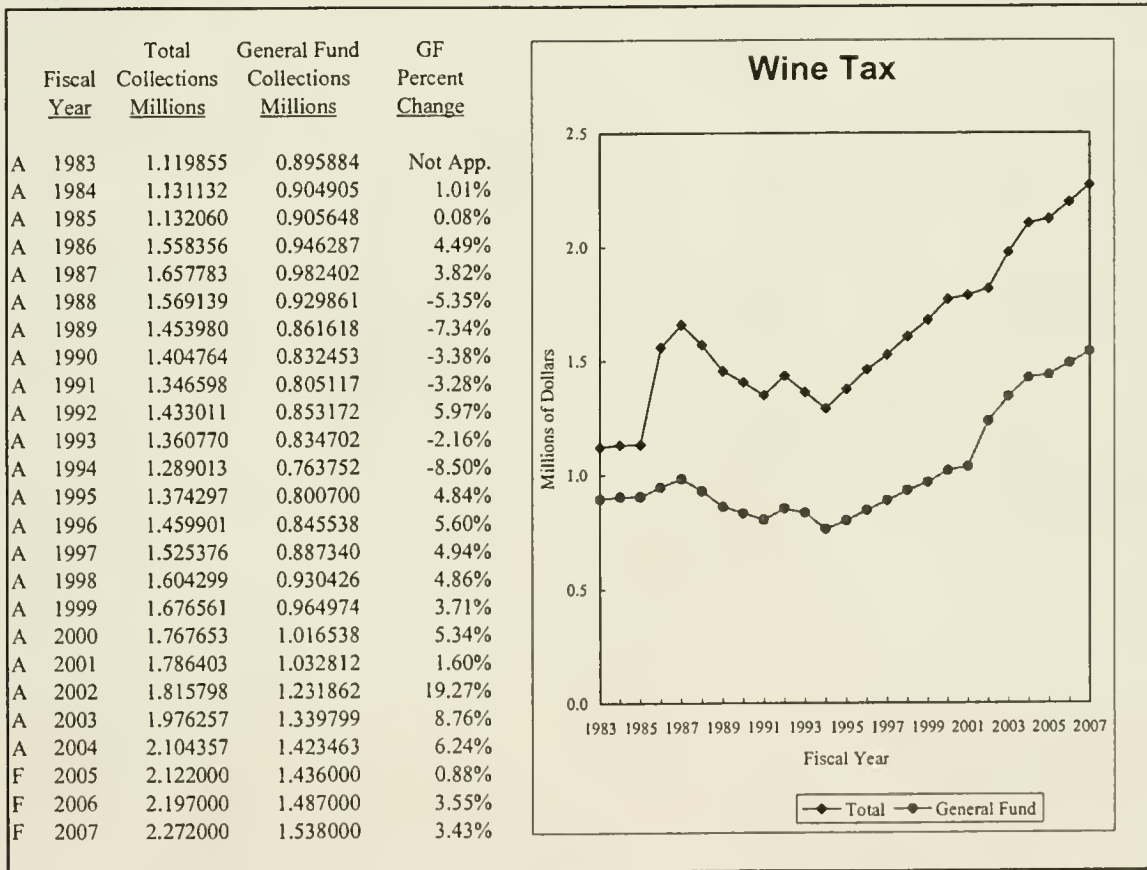
Revenue Estimate Profile

Wine Tax

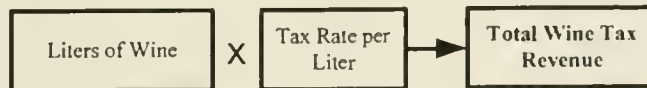
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD executes several steps to determine wine tax revenues. First, a regression model is applied to liters of wine consumed to estimate the number of future liters. Next the tax rate is applied to the number of liters of wine consumed. Finally, tribal distributions are removed to derive the estimate for wine tax. To check the adequacy of the estimate, the LFD performs a trend analysis on Montana's per capita wine consumption.

Revenue Projection:



Forecast Methodology

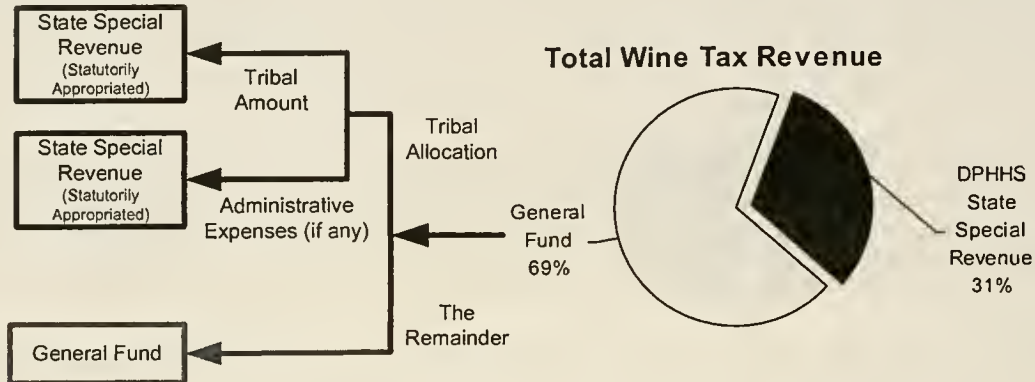


Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Liters</u> <u>Millions</u>	<u>Tax Rate</u> <u>Per Liter</u>	<u>GF Percent</u> <u>Allocation</u>	<u>Tribal</u> <u>Millions</u>
Actual	2000	1.767653	1.016538	6.546863	0.270000	0.590200	0.026730
Actual	2001	1.786403	1.032812	6.616307	0.270000	0.590257	0.021624
Actual	2002	1.815798	1.231862	6.725178	0.270000	0.690186	0.021376
Actual	2003	1.976257	1.339799	7.319470	0.270000	0.690196	0.024205
Actual	2004	2.104357	1.423463	7.793915	0.270000	0.690253	0.029075
Forecast	2005	2.122000	1.436000	7.857731	0.270000	0.690000	0.028000
Forecast	2006	2.197000	1.487000	8.136352	0.270000	0.690000	0.029000
Forecast	2007	2.272000	1.538000	8.414973	0.270000	0.690000	0.030000

$$\text{GF Tax} = \text{Liter} * \text{Tax Rate} - \text{Tribal}$$

PROPERTY TAXES

Property Tax

Property Tax 55 Mill & Non-Levy

Property Tax 40 Mill

Property Tax 6 Mill

Property Tax 1.5 Mill



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Revenue Description: Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, livestock, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. Beginning January 1, 2003, livestock is no longer taxed.

Beginning January 1, 2003, residential and commercial property as well as agricultural land and timberland reflect the impact of a new reappraisal on market values. The current reappraisal cycle is 6 years, during which increases in property values will be phased in by 1/6th per year. Property that declines in value will be assessed immediately at its new reappraised value. The impact of reappraisal on assessed values increased the market value of the average residence by 20.2 percent. The equivalent increases for commercial property were 18.5 percent and for agricultural land by 15.3 percent.

The 2003 legislature passed a reappraisal mitigation bill - SB 461. Beginning in tax year 2003, reappraisal values were phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table:

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Should the state fail in its defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

SB 461 Tax Rates and Exemption Percentages for Class 4 Residential and Commercial Property

Fiscal Year	Tax Rate	Class 4	Class 3	Class 4
		Residential Exemption	Multi Family Housing Exemption	Commercial Exemption
2003 (prior law)	3.46%	31.0%	31.0%	13.0%
2004	3.40%	31.0%	31.0%	13.0%
2005	3.30%	31.4%	31.4%	13.3%
2006	3.22%	32.0%	32.0%	13.8%
2007	3.14%	32.6%	32.6%	14.2%
2008	3.07%	33.2%	33.2%	14.6%
2009	3.01%	34.0%	34.0%	15.0%

Homeowners whose homesteads have increased above certain thresholds and whose income falls below certain levels will face lower tax rates.

Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values
- Non levy revenue

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - In-migration of business
 - Success of business
 - Demand for local government services
- Social Factors
 - Demand for new housing
- Legislative Factors
 - State legislative impacts
 - Reappraisal mitigation
 - Tax rate changes
 - Property class definition
 - Federal legislative impacts
 - Federal 4R act as applies to railroad and airline property

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 55 mills generates \$55 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Collection Frequency: Monthly with significant state deposits in December and June.

Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values
- Non levy revenue

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - In-migration of business
 - Success of business
 - Demand for local government services
- Social Factors
 - Demand for new housing
- Legislative Factors
 - State legislative impacts
 - Reappraisal mitigation
 - Tax rate changes
 - Property class definition
 - Federal legislative impacts
 - Federal 4R act as applies to railroad and airline property

Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)

Tax Distribution (MCA) - 20-9-331(1), 20-9-333(1)

Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

% of Total FY 2004 General Fund Revenue: 7.54 %

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

There are twelve classes of property, each with its own tax rate. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of statewide taxable value is reduced by the amount of incremental property in tax increment finance districts and increased by the amount of property receiving local property tax abatements. Tax increment financing (TIF) districts are in urban centers where all local and state mills are applied to the increment in property values from a base year. State and local levies applied to the increment stay with the TIF district and are unavailable to state and local jurisdictions. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

State 55-mill property tax revenue in future years is derived by applying the state mill levy to the projected statewide net taxable value.

The next step involves estimating the 55 mill's share of non-levy revenue. Nonlevy revenue includes: the state's share of coal gross proceeds, federal forest revenue, and other revenue. See the nonlevy revenue section for forecasting methods for each source. Each of these forecasted revenues is multiplied by the applicable allocation percent and summed. The applicable percentage for forest nonlevy revenue is the ratio of the state mill levy divided by the weighted total statewide average mills assessed in the prior year in the jurisdiction in which the revenue source was generated. Forest nonlevy revenues are paid by the federal government to counties and are allowed by federal statute to grow by one-half the rate of rural inflation. The distribution of coal gross proceeds taxes is based on mill levies existing fiscal 1990 when the county equalization levy was 45 mills instead of 55 mills. Miscellaneous revenue, such certain other federal revenues and interest earnings are also distributed to the state along with the property tax.

The final estimate of 55-mill property tax revenue is the sum of revenue from property and nonlevy revenue.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth "trigger" was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Legislative Fiscal Division

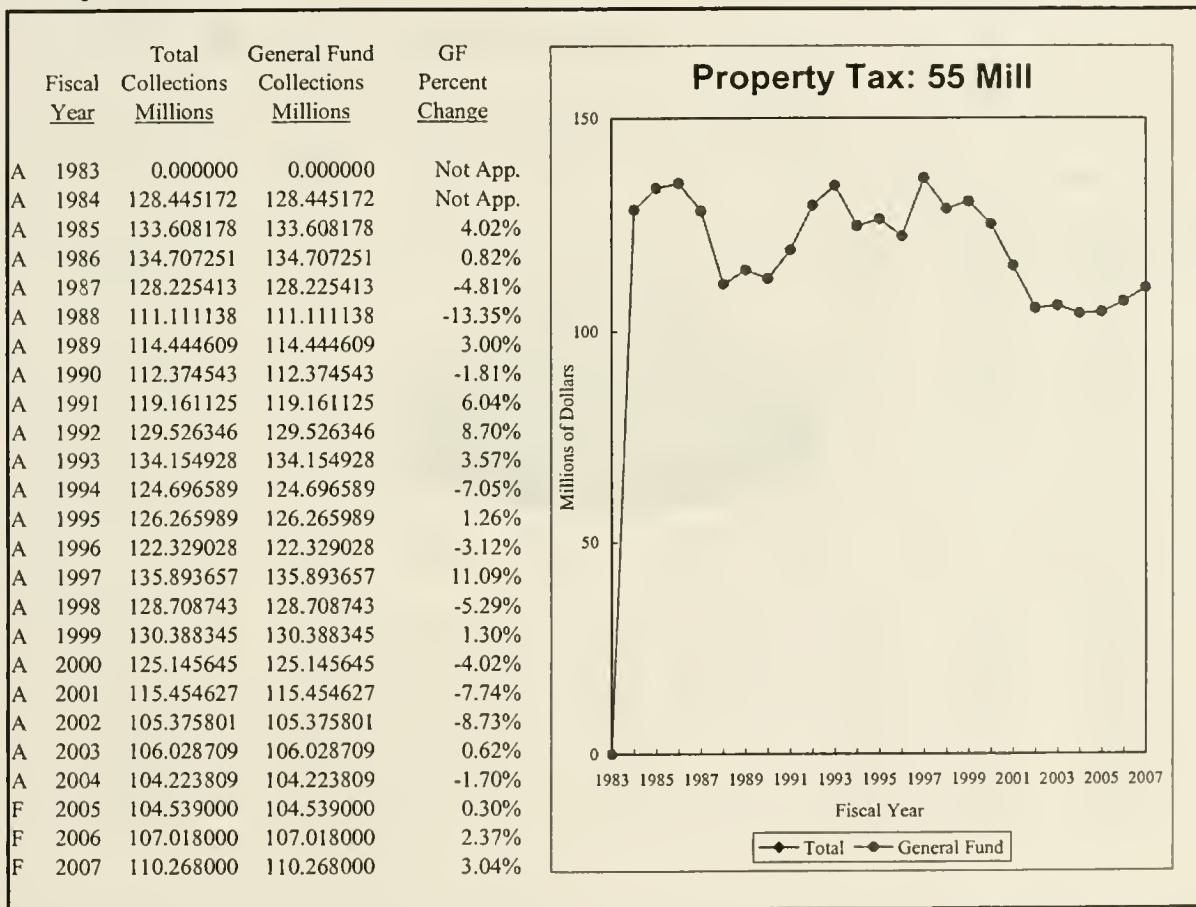
Revenue Estimate Profile

Property Tax: 55 Mill

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

If reappraisal raises the assessed value of existing property up sufficiently, the county equalization levy of 55 mills may have to be reduced.

Revenue Projection:

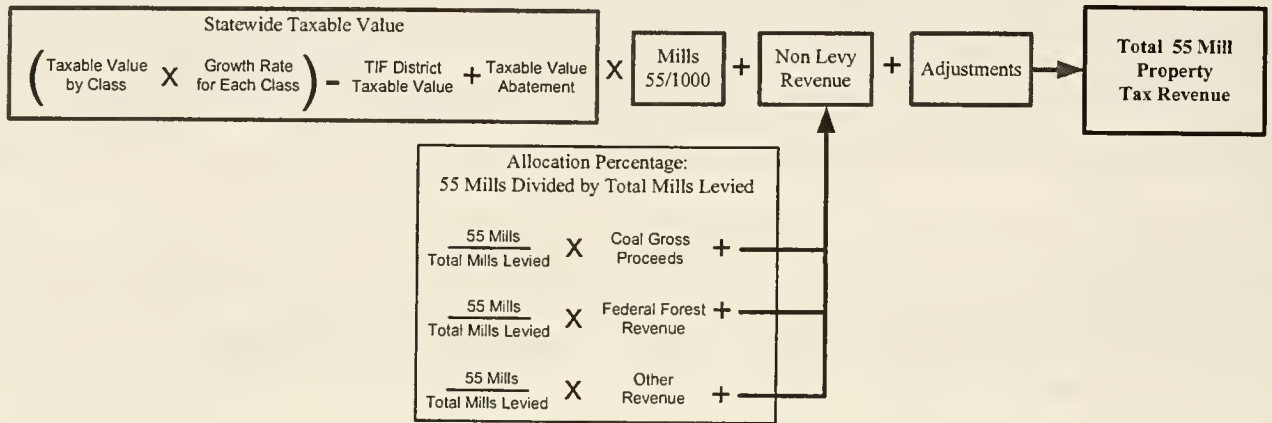


Legislative Fiscal Division

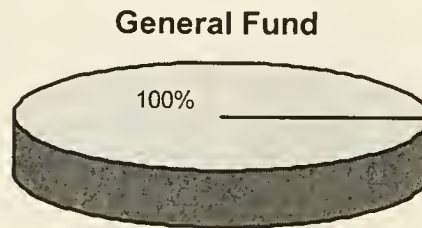
Revenue Estimate Profile

Property Tax: 55 Mill

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	125.145645	125.145645	1863.986815	0.055000	23.445540	0.274000
Actual	2001	115.454627	115.454627	1656.909416	0.055000	16.482000	4.933824
Actual	2002	105.375801	105.375801	1671.589714	0.055000	13.809000	0.000000
Actual	2003	106.028709	106.028709	1691.720391	0.055000	11.424000	0.000000
Actual	2004	104.223809	104.223809	1703.300593	0.055000	13.316000	0.000000
Forecast	2005	104.539000	104.539000	1756.251400	0.055000	8.314933	-0.370000
Forecast	2006	107.018000	107.018000	1802.671553	0.055000	8.240996	-0.370000
Forecast	2007	110.268000	110.268000	1856.267989	0.055000	8.543058	-0.370000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Actual	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Forecast	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Forecast	2006	121.344418	219.772831	6.675929	44.172580	118.557304	27.766903	4.194695
Forecast	2007	125.591473	219.553058	6.562438	43.289128	116.660387	23.430450	4.307581

Non Levy Revenue includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal fiscal year 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25 percent of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Beginning November 2000, HR 2389 (federal legislation) fixes the allocation to the state at the average of the highest three years of forest receipts in the state. Not more than 20 percent and not less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the general fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year:
county equalization accounts (55 mills), county transportation account, county retirement accounts

Collection Frequency: Twice annually (usually October and December).

Applicable Assumptions and/or Relevant Indicators:

Federal Forest Timber Prices

Federal Board Feet Harvested

Mill Levies for County Transportation and Retirement Accounts

Data Source(s): U.S. Forest Service survey, SABHRS

Contacts: U.S. Forest Service

Statutory References:

Tax Rate – NA

Distribution (MCA) – 17-3-211, 17-3-212

Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

% of Total FY 2004 General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source.

The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

With the passage of federal HR 2389, the level of forest receipts by the state as a whole will grow by ½ the rate of inflation for rural

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

communities. The general fund share (to the 55 mills) will only vary as the percentage the 55 mills represents of total levied mills varies. Total mills levied are forecast to increase by $\frac{1}{2}$ the rate of inflation as measured by the Consumer Price Index in fiscal 2003 through 2005.

COAL GROSS PROCEEDS TAX

Revenue Description: The state imposes a gross proceeds tax of 5.0 percent on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

Applicable Tax Rate(s): The amount of tax due is 5.0 percent of the value of production as measured by the contract sales price for production in the preceding calendar year.

Distribution: The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year.

Collection Frequency: The coal gross proceeds tax is collected twice annually in November and May. The state receives the tax revenue in December and June.

Applicable Assumptions and/or Relevant Indicators:

Montana Coal Production
Montana Contract Sales Price
Statewide Average Mill Ratios

Data Source(s): Coal Company Surveys, Department of Revenue, County Treasurers

Contacts: Coal Company Representatives, Department of Revenue, County Treasurers

Statutory References:

Tax Rate (MCA) – 15-23-703(1)
Tax Distribution (MCA) – 15-23-703(3)

% of Total FY 2004 General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, and multiplying that number by the contract sales price. Taxable value is then multiplied by the applicable tax rate to determine tax revenue. The final step involves applying the mill ratio for the state county equalization levy to the average statewide levy for tax year 1989 for the counties in which mines are located.

OTHER REVENUE

Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

Applicable Tax Rate(s): N/A

Distribution: Varies

Collection Frequency: Varies

Applicable Assumptions and/or Relevant Indicators: Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections.

Data Source(s): County Collection Reports

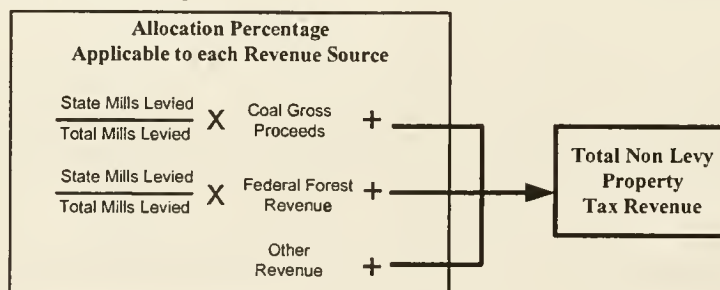
Contacts: Office of Public Instruction

Statutory References: Various

% of Total FY 2004 General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: : Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections. Data for the last known year are obtained from data provided to the Office of Public Instruction by the county treasurers.

Forecast and Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 40 mills generates \$40 in state property taxes..

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Collection Frequency: Monthly with significant state deposits in December and June.

Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - In-migration of business
 - Success of business
 - Demand for local government services
- Social Factors
 - Demand for new housing
- Legislative Factors
 - State legislative impacts
 - Reappraisal mitigation
 - Tax rate changes
 - Property class definition
 - Federal legislative impacts
 - Federal 4R act as applies to railroad and airline property

Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 20-9-360

Tax Distribution (MCA) – 20-9-360

Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

% of Total FY 2004 General Fund Revenue: 4.66 %

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

There are twelve classes of property, each with its own tax rate. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of statewide taxable value is reduced by the amount of incremental property in tax increment finance districts and increased by the amount of property receiving local property tax abatements. Tax increment financing (TIF) districts are in urban centers where all local and state mills are applied to the increment in property values from a base year. State and local levies applied to the increment stay with the TIF district and are unavailable to state and local jurisdictions. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

State 40 mill property tax revenue in future years is derived by applying the state mill levy to the projected statewide net taxable value. This amount is further adjusted downward by SB 417 reimbursements. SB 417 reimbursements are amounts allowed to be deducted from the 40 mill levy for reductions in class 8 business equipment tax rates from 9 percent to 6 percent between tax years 1996 and 1998. These reimbursements are declining at 10 percent per year until eliminated in tax year 2008.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth "trigger" was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year's value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

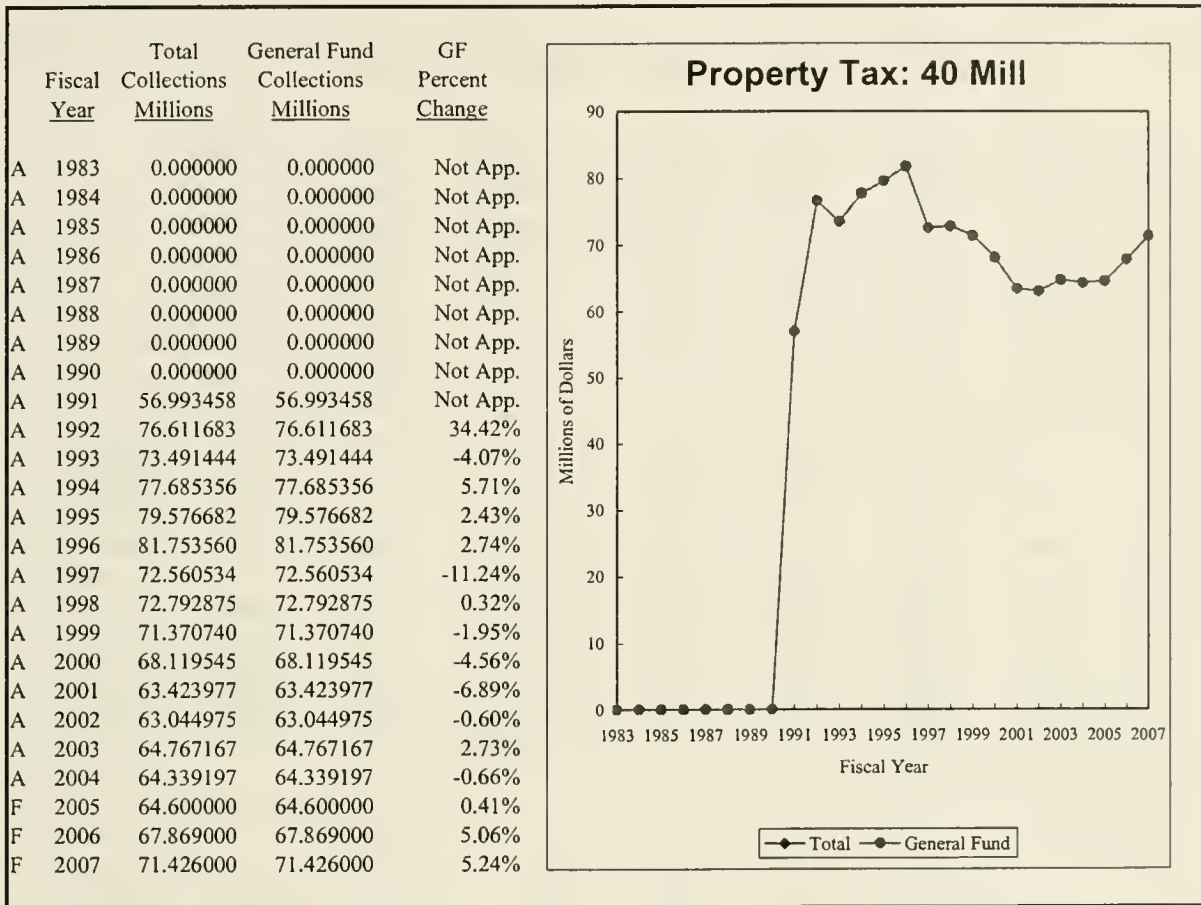
If reappraisal raises the assessed value of existing property up sufficiently, the State equalization levy of 40 mills may have to be reduced.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Projection:



Forecast Methodology

Statewide Taxable Value

$$\left(\begin{matrix} \text{Taxable Value} \\ \text{by Class} \end{matrix} \times \begin{matrix} \text{Growth Rate} \\ \text{for Each Class} \end{matrix} \right) - \begin{matrix} \text{TIF District} \\ \text{Taxable Value} \end{matrix} + \begin{matrix} \text{Taxable Value} \\ \text{Abatement} \end{matrix}$$

X

Mills
40/1000

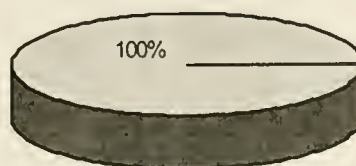
+

Adjustments

Total 40 Mill
Property
Tax Revenue

Distribution Methodology

General Fund



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	68.119545	68.119545	1863.986815	0.040000	10.810197	-12.712919
Actual	2001	63.423977	63.423977	1656.909416	0.040000	5.251000	-11.300000
Actual	2002	63.044975	63.044975	1671.589714	0.040000	4.705000	-9.888000
Actual	2003	64.767167	64.767167	1691.720391	0.040000	2.983000	-8.475000
Actual	2004	64.339197	64.339197	1703.300593	0.040000	4.315000	-7.063000
Forecast	2005	64.600000	64.600000	1756.251400	0.040000	0.000000	-5.650000
Forecast	2006	67.869000	67.869000	1802.671553	0.040000	0.000000	-4.238000
Forecast	2007	71.426000	71.426000	1856.267989	0.040000	0.000000	-2.825000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	215.7480920	498.0302370	8.5200900	68.1925880	0.0000000	44.5355770	7.8747870
Actual	2001	112.7827340	230.8329780	8.7088490	49.6414440	147.1427500	28.4288400	7.8747870
Actual	2002	116.6052090	219.9557670	8.1987880	48.6583800	144.4880950	30.5295630	3.8798300
Actual	2003	118.3489260	206.3601230	7.1702390	46.6884790	137.1848470	30.8028320	3.8700000
Actual	2004	118.2969880	212.1109300	6.7892870	45.6302570	125.6225470	33.5621400	3.1883180
Forecast	2005	117.2409840	219.9928240	6.7913820	45.0740610	120.4850650	27.7669030	4.0883170
Forecast	2006	121.3444180	219.7728310	6.6759290	44.1725800	118.5573040	27.7669030	4.1946950
Forecast	2007	125.5914730	219.5530580	6.5624380	43.2891280	116.6603870	23.4304500	4.3075810

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 6 mills generates \$6 in state property taxes.

Distribution: All tax receipts are deposited into the university system 6 mill levy state special revenue account.

Collection Frequency: Monthly with significant state deposits in December and June.

Major Drivers:

- Assessed Value of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Tax Increment Financing (TIF) property values
- Abated property values

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - In-migration of business
 - Success of business
 - Demand for local government services
- Social Factors
 - Demand for new housing
- Legislative Factors
 - State legislative impacts
 - Reappraisal mitigation
 - Tax rate changes
 - Property class definition
 - Federal legislative impacts
 - Federal 4R act as applies to railroad and airline property

Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 15-10-107

Tax Distribution (MCA) – 15-10-107

Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

% of Total FY 2004 General Fund Revenue: NA

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

There are twelve classes of property, each with its own tax rate. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of statewide taxable value is increased by the value of local abated property. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

State 6 mill property tax revenue in future years is derived by applying the state mill levy to the projected statewide net taxable value.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth “trigger” was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year’s value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

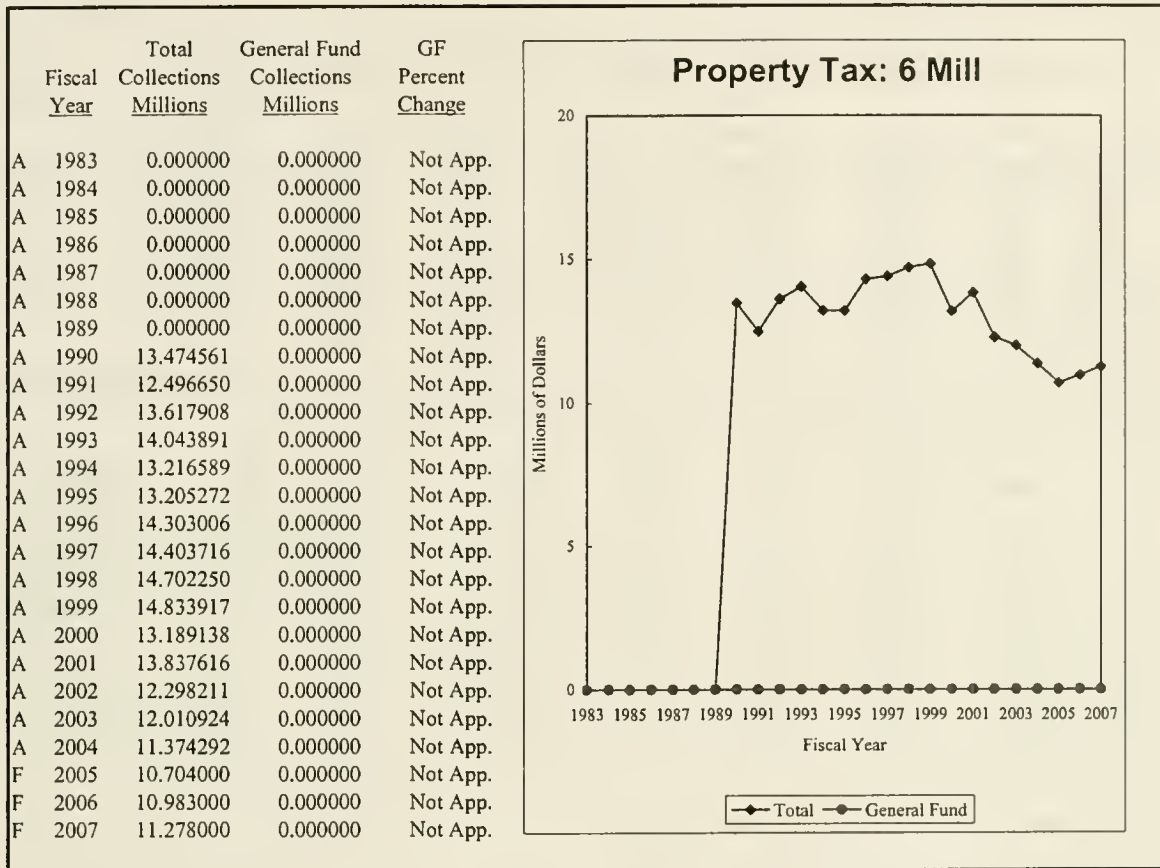
If reappraisal raises the assessed value of existing property up sufficiently, the University levy of 6 mills may have to be reduced.

Legislative Fiscal Division

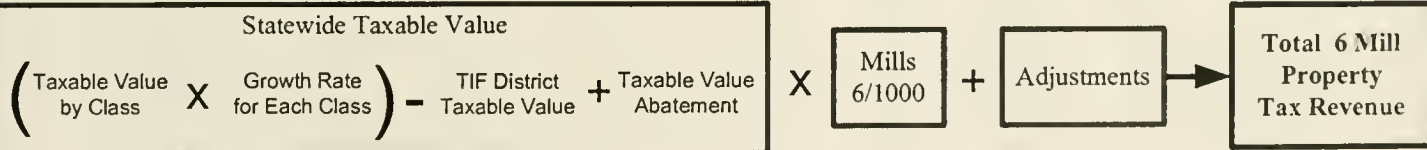
Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Projection:

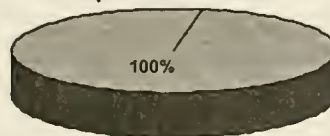


Forecast Methodology



Distribution Methodology

State Special Revenue Fund



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	13.189138	0.000000	1900.647605	0.006000	2.584415	0.000000
Actual	2001	13.837616	0.000000	1677.463469	0.006000	1.758000	0.657843
Actual	2002	12.298211	0.000000	1698.239447	0.006000	1.588000	0.000000
Actual	2003	12.010924	0.000000	1722.523223	0.006000	1.082000	0.000000
Actual	2004	11.374292	0.000000	1736.862733	0.006000	0.000000	0.000000
Forecast	2005	10.704000	0.000000	1784.018303	0.006000	0.000000	0.000000
Forecast	2006	10.983000	0.000000	1830.438456	0.006000	0.000000	0.000000
Forecast	2007	11.278000	0.000000	1879.698439	0.006000	0.000000	0.000000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
Actual	2002	116.605209	219.955767	8.198788	48.658380	144.488095	30.529563	3.879830
Actual	2003	118.348926	206.360123	7.170239	46.688479	137.184847	30.802832	3.870000
Forecast	2004	118.296988	212.110930	6.789287	45.630257	125.622547	33.562140	3.188318
Forecast	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Forecast	2006	121.344418	219.772831	6.675929	44.172580	118.557304	27.766903	4.194695
Forecast	2007	125.591473	219.553058	6.562438	43.289128	116.660387	23.430450	4.307581

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Description: Beginning in fiscal 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 1.5 mills generates \$1.50 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Collection Frequency: Monthly with significant state deposits in December and June.

Major Drivers:

- Assessed Value of property
- Growth rates for assessed values of property
- Tax Rates for each class of property
- Homestead and comstead exemptions
- Class tax rates
- Tax Increment Financing (TIF) property values
- Abated property values
- Nonlevy revenue growth rates

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - In-migration of business
 - Success of business
 - Demand for local government services
- Social Factors
 - Demand for new housing
- Legislative Factors
 - State legislative impacts
 - Reappraisal mitigation
 - Tax rate changes
 - Property class definition
 - Federal legislative impacts
 - Federal 4R act as applies to railroad and airline property

Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 20-25-439(1)

Tax Distribution (MCA) – 20-25-439(2)

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

% of Total FY 2004 General Fund Revenue: 0.07 %

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The 1.5 mill levy is applied to twelve classes of property, each with its own tax rate in 5 counties, Missoula, Cascade, Lewis & Clark, Flathead, and Silver Bow. A growth rate for each class (except classes 1 and 2) is applied to taxable values in a base year. The latest base year is tax year 2004, which generates state and local revenue in fiscal 2005 since property taxes are paid in November and May of the following year. Growth rates for tax years 2005 and 2006 are derived by discerning trends in historical market values for each class of property. Future, known changes in taxable value are also applied. The taxable value of class 8 business equipment is adjusted to reflect the fact that a portion (approximately 38 percent) of this property pays its property taxes early based on prior year mills.

Taxable values of all property in tax year 2004 (fiscal 2005) are known and represent the second year of a six-year phasing in of reappraisal of values for class 4 residential and commercial real estate, class 3 agricultural land and class 10 timberland. Tax year 2004 is also the second year of the phasing-up of the two homestead exemptions for residential and commercial real estate, and the phasing down of class 4 tax rate reductions.

The future taxable values of classes 1 (net proceeds of all mines other than coal and metal) and 2 (gross proceeds of metal mines) are derived from forecasts of mine production and prices.

The resulting forecast of taxable value in the five counties is reduced by the amount of incremental property in tax increment finance districts and increased by the amount of property receiving local property tax abatements. Tax increment financing (TIF) districts are in urban centers where all local and state mills are applied to the increment in property values from a base year. State and local levies applied to the increment stay with the TIF district and are unavailable to state and local jurisdictions. Local property tax abatements are partial or total reductions in property values for local jurisdictions mills only. State mills are applied to local property abatements and thus are part of the state property tax base.

Two issues require further discussion for this source. Beginning in tax year 2004 and each future year the tax rate on class 8 business equipment will be subject to a test to determine whether the rate will be reduced by 1 percent per year until the rate reaches zero. The rate reductions will take effect if inflation adjusted growth in Montana wages and salaries in the prior year is at least 2.85 percent. The real wage growth “trigger” was not reached for calendar 2003 (determined in calendar 2004), and thus the class 8 tax rate will remain at 3 percent for the 2007 biennium.

Also, in 15-10-420 MCA, a governing entity, including the state but excluding schools, is authorized to impose a mill levy sufficient to generate the amount of property taxes assessed in the prior year plus one-half the rate of inflation for the prior three years. The maximum number of mills that a governmental entity may impose is established by calculating the number of mills required to generate the amount of property tax assessed in the prior year based on the current year taxable value, less the current year’s value of newly taxable property, plus one-half the rate of inflation for the prior 3 years. The taxes assessed in the prior year do not include taxes from class 1 net proceeds and class 2 gross proceeds. The calculated mills must be rounded up to the nearest whole number.

If reappraisal raises the assessed value of existing property up sufficiently, the Vo-tech levy of 1.5 mills may have to be reduced.

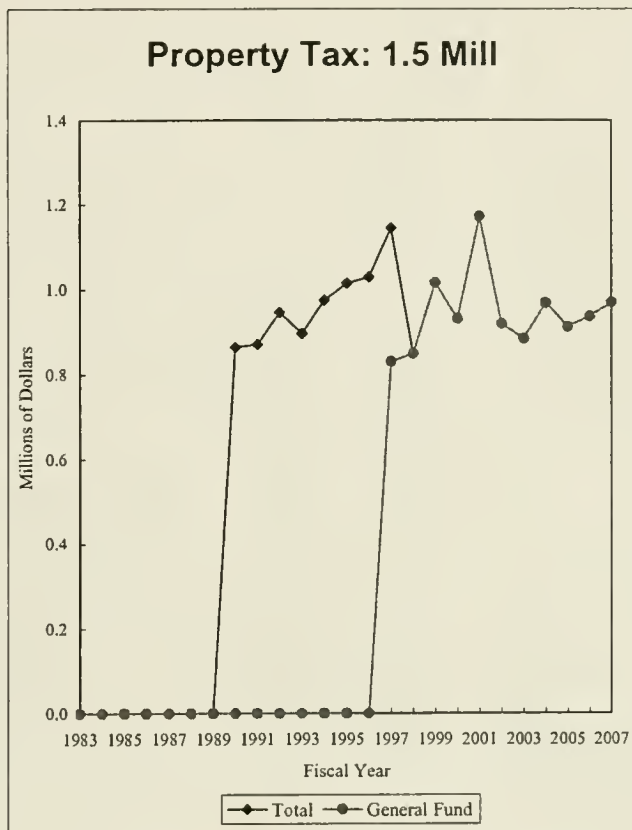
Legislative Fiscal Division

Revenue Estimate Profile

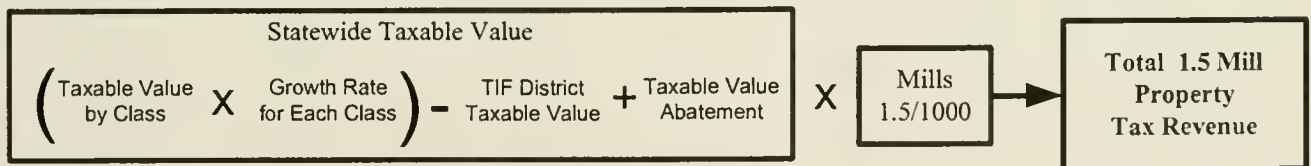
Property Tax: 1.5 Mill

Revenue Projection:

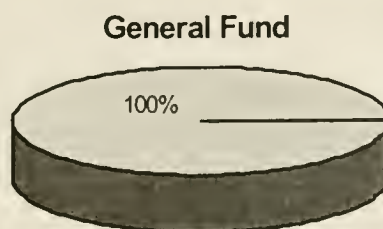
	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1983	0.000000	0.000000	Not App.
A	1984	0.000000	0.000000	Not App.
A	1985	0.000000	0.000000	Not App.
A	1986	0.000000	0.000000	Not App.
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.863590	0.000000	Not App.
A	1991	0.870302	0.000000	Not App.
A	1992	0.945934	0.000000	Not App.
A	1993	0.895874	0.000000	Not App.
A	1994	0.974589	0.000000	Not App.
A	1995	1.013989	0.000000	Not App.
A	1996	1.028520	0.000000	Not App.
A	1997	1.144082	0.830174	Not App.
A	1998	0.848762	0.848762	2.24%
A	1999	1.015894	1.015894	19.69%
A	2000	0.930968	0.930968	-8.36%
A	2001	1.171643	1.171643	25.85%
A	2002	0.918612	0.918612	-21.60%
A	2003	0.883986	0.883986	-3.77%
A	2004	0.967988	0.967988	9.50%
F	2005	0.912000	0.912000	-5.78%
F	2006	0.936000	0.936000	2.63%
F	2007	0.969000	0.969000	3.53%



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tax. Value</u>	<u>Mills/1000</u>	<u>Non-Levy</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Applied</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.930968	0.930968	618.047161	0.001500	0.121110	0.000000
Actual	2001	1.171643	1.171643	552.853841	0.001500	0.126000	0.038500
Actual	2002	0.918612	0.918612	563.452494	0.001500	0.020000	0.033688
Actual	2003	0.883986	0.883986	586.588275	0.001500	0.000000	0.000000
Actual	2004	0.967988	0.967988	596.512999	0.001500	0.000000	0.000000
Forecast	2005	0.912000	0.912000	608.056452	0.001500	0.000000	0.000000
Forecast	2006	0.936000	0.936000	624.315431	0.001500	0.000000	0.000000
Forecast	2007	0.969000	0.969000	646.070061	0.001500	0.000000	0.000000

	<u>t</u>	<u>Class 1</u>	<u>Class 2</u>	<u>Class 3</u>	<u>Class 4</u>	<u>Class 5</u>	<u>Class 6</u>	<u>Class 7</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	7.026572	8.282057	139.192024	894.188310	37.015035	22.570979	1.881621
Actual	2001	5.178965	8.460976	139.318879	920.536186	39.008611	15.695230	0.155867
Actual	2002	7.842501	11.014983	139.057406	954.102342	35.667858	12.459077	0.189041
Actual	2003	8.691402	10.669321	138.900095	1002.873942	35.382198	6.167237	0.216414
Actual	2004	7.808005	8.799575	140.240224	1034.656439	32.725014	0.000000	0.995149
Forecast	2005	8.032414	10.428300	139.901823	1076.984542	34.024275	0.000000	0.974316
Forecast	2006	9.080467	12.718855	139.901823	1118.986939	34.058299	0.000000	0.974316
Forecast	2007	9.080467	17.057981	139.901823	1162.627430	34.092357	0.000000	0.974316

	<u>t</u>	<u>Class 8</u>	<u>Class 9</u>	<u>Class 10</u>	<u>Class 12</u>	<u>Class 13</u>	<u>TIF's</u>	<u>Abatement</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	215.748092	498.030237	8.520090	68.192588	0.000000	44.535577	7.874787
Actual	2001	112.782734	230.832978	8.708849	49.641444	147.142750	28.428840	7.874787
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Forecast	2005	117.240984	219.992824	6.791382	45.074061	120.485065	27.766903	4.088317
Forecast	2006	121.344418	219.772831	6.675929	44.172580	118.557304	27.766903	4.194695
Forecast	2007	125.591473	219.553058	6.562438	43.289128	116.660387	23.430450	4.307581

OTHER GENERAL FUND REVENUE

All Other Revenue
Highway Patrol Fines
Nursing Facilities Fee
Public Institution Reimbursements
Tobacco Settlement



Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Description: There are a number of other taxes, fees, and fines that historically have generated less than \$2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making meaningful comparison between tax years impractical and accurate estimation of the revenue difficult.

“All Other Revenue” sources are estimated in aggregate except for the following: investment license transfers, liquor license fee transfers, civil fines, single state registration system fees, lodging facility use tax, Montana University System debt service deposits, transfer of excess cigarette tax revenue in the veterans account administered by DPHHS, deposits by state agencies for SWCAP/SFCAP, district court fees, BOI reimbursement of State Street Banking fees, and transfers of excess coal tax revenue in the shared account. In the past, wildfire cost reimbursements had been included in the revenue source, but beginning in fiscal 2003 they are now deposited to the federal special revenue fund.

From the fiscal 2004 base year, the following one-time revenue sources were removed: security fines - \$4,875,000; refunding of the 1992 bond issue - \$931,740; transfers from the state fund - \$815,605; proceeds from the sale of the Bozeman Armory - \$815,173; premiums for the issuance of TRANS - \$591,677; and fire suppression reimbursements - \$145,792.

One-time revenue adjustments were added in fiscal 2005 for: Transfer of money from DOJ motor vehicle information technology system account as authorized in SB 493 - \$3,300,000, and cost reimbursements from the NorthWestern Energy bankruptcy settlement - \$1,106,070.

Applicable Tax Rate(s): Various

Distribution: “All Other Revenue” is deposited in the general fund.

Collection Frequency: The various revenue sources are generally collected on a monthly basis.

Major Drivers:

- Investment license revenue and expenditures
- Liquor license revenue and expenditures
- Number of vehicles registered under the single state registration system
- Fixed costs appropriated for SWCAP/SFCAP
- District court fees
- Revenue and expenditures in the DPHHS cigarette account
- Civil fines
- State Street banking fees
- MSU-EMC debt service payments

Potential Factors Influencing Change:

- Economic Factors - Multiple
- Social Factors - Multiple
- Legislative Factors - Multiple

Data Source(s): SABHRS, Office of Budget and Program Planning, Department of Justice, Department of Public Health and Human Services, Department of Administration, Department of Revenue, and the State Auditor

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Contacts: Multiple state agencies

Statutory Reference: Various

% of Total FY 2004 General Fund Revenue: 2.19%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Determining total “All Other Revenue” is a multi-step process, as outlined below.

Investment License Transfers

Investment license revenue is determined by multiplying the anticipated number of licenses to be issued by the license fee. Estimated program costs are deducted from the total revenue. By statute, the remainder is transferred to the general fund. Investment license fee estimates and requested appropriations by the executive determine the amount of the transfer.

Liquor License Fee Transfers

Liquor license revenue deposited in the DOR liquor proprietary account in excess of licensing costs is transferred to the general fund. Liquor license fee estimates and requested appropriations by the executive determine the amount of the transfer.

Civil Fines

The estimate for civil fine income is derived by applying a growth rate to a base amount. This amount represents the last known amount for these fines, usually the prior fiscal year.

Gross Vehicle Weight

Fees from DOT single state registration system are estimated based on an historical average.

Lodging Facility Use Tax

The tax paid by state employees is reimbursed to the various funds from which the payments were made, including the general fund. Estimates of the tax are provided in “Lodging Taxes”.

Montana University System Debt Service

Payments from the Montana University System’s trustee are wired to the general fund to pay debt service on the 1992 refunding bond for debt at MSU and MSU-Eastern. Due to the structure of the payments, deposits to the general fund have exceeded debt service payments from the general fund since fiscal 1997.

Cigarette Account Transfers

Money in excess of \$2.0 million at the end of the fiscal year in the cigarette account administered by DPHHS is transferred to the general fund. The account receives the greater of \$2.0 million or 8.3 percent of cigarette tax revenue for use at the veterans home. Cigarette tax estimates (see “Cigarette Tax”) and appropriations requested by the executive determine the amount of the transfer.

SWCAP / SFCAP

Agencies pay a fixed amount from state special revenue funds for support of services provided statewide that are funded from the general fund. Estimates are derived from Executive requested fixed cost appropriations.

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

District Court Fees

Since the passage of HB 124 by the 2001 legislature, fees collected at the district court are now deposited to the general fund. Historical trends in the number of district court cases are used to derive the revenue estimate.

State Street Banking Fees

The Department of Administration (Board of Investments) pays banking fees to State Street Banking through a statutory appropriation. These fees are reimbursed by the department and deposited to the general fund.

Coal Tax Shared Account

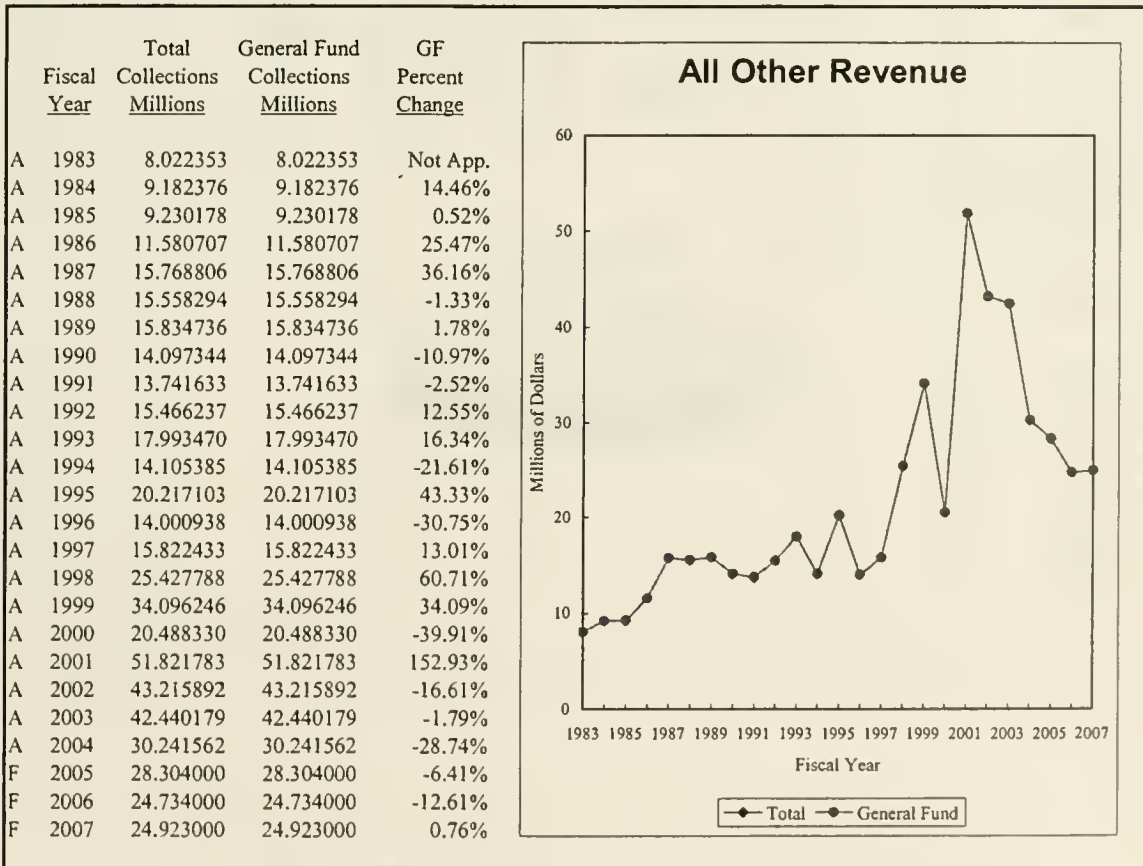
Any unreserved fund balance in the coal tax shared account is transferred to the general fund at the end of the fiscal year. Coal tax estimates and requested appropriations by the executive determine the amount of the transfer.

All Other Revenue Not Previously Defined

The minor components of "All Other Revenue" are calculated aggregately by applying a growth rate to the actual (prior) fiscal year collections adjusted for one-time events. Adjustments for any legislative action are included.

The total "All Other Revenue" is projected by adding the individual totals described above.

Revenue Projection:

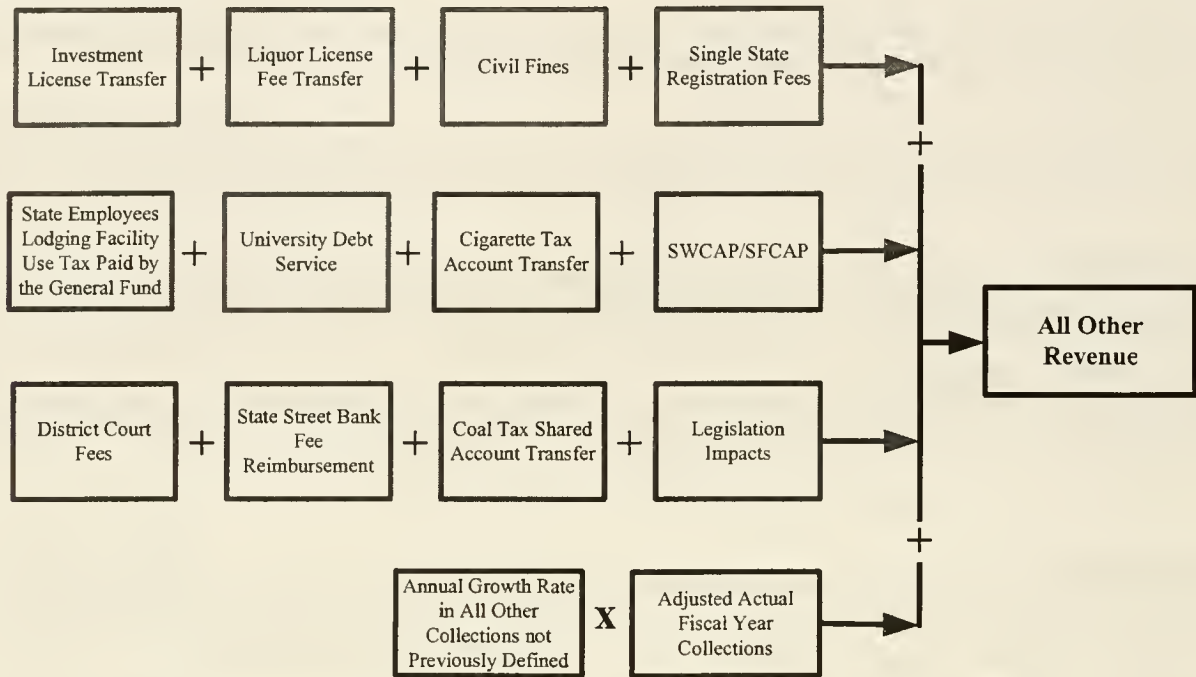


Legislative Fiscal Division

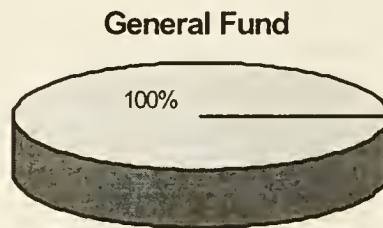
Revenue Estimate Profile

All Other Revenue

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Base	Annual	Adjustments	Vet. Account	One-Time
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Transfer</u>	<u>Transfer</u>
							<u>Millions</u>	<u>Millions</u>
Actual	2000	20.488330	20.488330	9.216695	-24.5934%			
Actual	2001	51.821783	51.821783	11.509661	24.8784%			
Actual	2002	43.215892	43.215892	8.025926	-30.2679%	1.162288		
Actual	2003	42.440179	42.440179	9.474137	18.0442%	21.282497		
Actual	2004	30.241562	30.241562	9.736364	2.7678%	8.189612	1.054958	
Forecast	2005	28.304000	28.304000	9.736364	0.0000%	0.000000	2.890547	4.367070
Forecast	2006	24.734000	24.734000	9.736364	0.0000%	0.000000	3.948177	0.000000
Forecast	2007	24.923000	24.923000	9.736364	0.0000%	0.000000	3.800633	0.000000

	t	Investment	Land Grant	Civil Fines	GVW Fees	Accom. Tax	MSU&EMC	SABHRS
	<u>Fiscal</u>	<u>Transfer</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Debt</u>	<u>Debt</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	2.296258	0.086129	0.439498	1.275935	0.016878	0.495693	2.506520
Actual	2001	2.445000	0.091699	0.484739	1.252221	0.052215	0.837170	2.490067
Actual	2002	2.179165	0.000000	0.749382	1.044512	0.038912	0.839583	2.468857
Actual	2003	2.036200	0.000000	0.480945	1.071278	0.032547	0.838186	2.050913
Actual	2004	2.113000	0.000000	0.855870	1.067278	0.040021	0.837743	0.000000
Forecast	2005	2.044000	0.000000	0.571699	1.247000	0.041000	0.833016	0.000000
Forecast	2006	2.104000	0.000000	0.572054	1.280000	0.043000	0.831704	0.000000
Forecast	2007	2.183000	0.000000	0.571764	1.314000	0.046000	0.695734	0.000000

	t	FEMA	Coal	SFCAP	Liquor License	District	Bank
	<u>Fiscal</u>	<u>Millions</u>	<u>Transfer</u>	<u>SWCAP</u>	<u>Transfer</u>	<u>Court</u>	<u>Charges</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000	2.486250	0.000000	0.000000	0.000000
Actual	2001	31.097802	0.611432	0.949777	0.000000	0.000000	0.000000
Actual	2002	23.246341	0.623227	1.023875	1.036184	0.000000	0.777640
Actual	2003	0.000000	0.000000	1.179279	0.558198	2.664891	0.771108
Actual	2004	0.000000	0.000000	2.214579	0.526827	2.839310	0.766000
Forecast	2005	0.000000	0.406344	1.836574	0.516730	3.025145	0.788000
Forecast	2006	0.000000	0.000000	1.836574	0.370141	3.223143	0.788000
Forecast	2007	0.000000	0.083925	1.836574	0.432019	3.434100	0.788000

GF Tax = Base + Vet. Account + One-time + Investment + Civil Fines + GVW Fees + Accom. Tax + MSU&EMC + Coal + SFCAP + Liquor + District + Bank

Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Description: The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. The fines and forfeitures associated with these citations are collected by various state and local courts.

Applicable Tax Rate(s): Fines for citations are variable.

Distribution: All of Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justices' court, received by the state are deposited in the general fund.

Collection Frequency: Monthly

Major Drivers:

- Number of citations
- Fine rate

Potential Factors Influencing Change:

- Economic Factors
 - Population change
 - Gas prices
- Social Factors
 - Public perception of drinking and driving
 - Public perception of youth drinking and youth driving
- Legislative Factors
 - State legislative impacts
 - Changes in driving rules
 - Changes in distribution of fee revenue
 - Federal legislative impacts
 - Changes in driving rules
 - Federal law compliance penalties

Data Source(s): Department of Justice, Highway Patrol, SABHRS

Contacts: Department of Justice, Highway Patrol

Statutory Reference:

Tax Rate (MCA)– general fines (61-3-601, 61-5-307, 61-7-118, 61-8-711, 61-9-511), multiple others

Tax Distribution (MCA) – 3-10-601 (fines collected in justice court are included in “All Other General Fund”), 61-10-148 (violations of vehicle size, weight & load), 61-12-701 (fines by Highway Patrol)

Date Due – upon conviction

% of Total FY 2004 General Fund Revenue: 0.30%

Legislative Fiscal Division

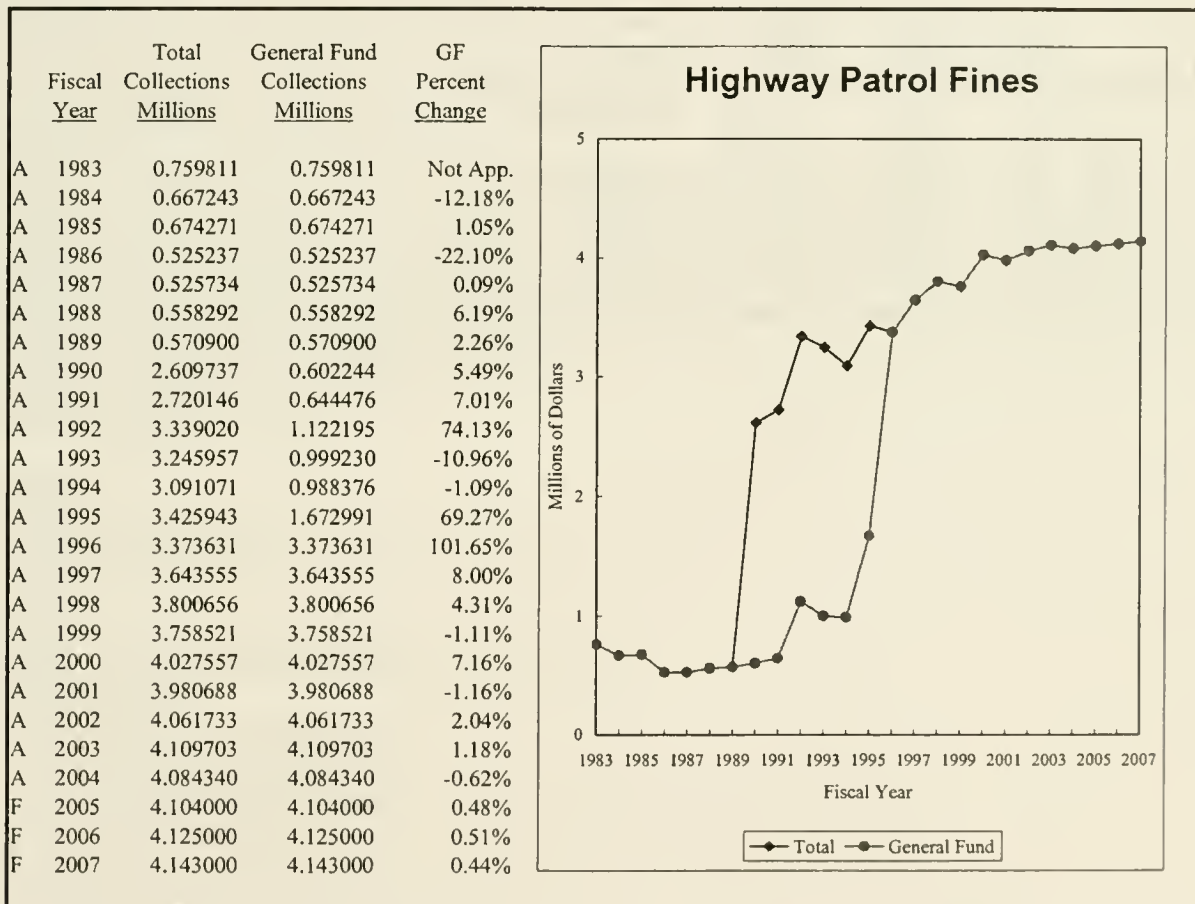
Revenue Estimate Profile

Highway Patrol Fines

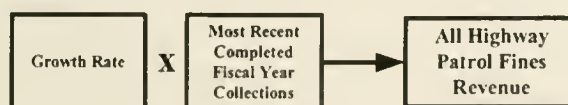
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

In producing the estimate for highway patrol fines, the LFD contacts the Department of Justice, Highway Patrol Office for their evaluation for the potential for significant changes in the number of tickets to be issued over the next biennium. There is a relationship between the number of officers and the number of tickets issued in any year. With this information, the LFD establishes a growth rate for the revenues. The growth rate, is then applied to past years' revenues to determine the estimate for highway patrol fines.

Revenue Projection:



Forecast Methodology



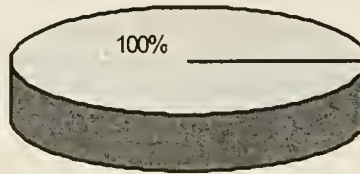
Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Fine</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Growth Rate</u>
Actual	2000	4.027557	4.027557	0.071580
Actual	2001	3.980688	3.980688	-0.011637
Actual	2002	4.061733	4.061733	0.020360
Actual	2003	4.109703	4.109703	0.011810
Actual	2004	4.084340	4.084340	-0.006171
Forecast	2005	4.104000	4.104000	0.004831
Forecast	2006	4.125000	4.125000	0.005030
Forecast	2007	4.143000	4.143000	0.004456

Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Description: This source consists of two similar utilization fees on nursing homes: 1) nursing facility utilization fee; and 2) intermediate care facility utilization fee.

Qualified nursing facilities are required to pay a nursing facility utilization fee of \$5.30 for each bed day in the facility. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. Specifically included by statute is the Montana Mental Health Nursing Care Center. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

An intermediate care facility utilization fee is imposed on resident bed days of intermediate care facilities for the mentally retarded. The only qualifying facility is the Montana Developmental Center. The fee is five percent of a facility's quarterly revenue divided by the quarterly bed days.

Applicable Tax Rate(s): 1) Nursing facility utilization fee - \$5.30 per bed day; 2) Intermediate care facility utilization fee - 5 percent of a facility's quarterly revenue divided by the quarterly bed days

Distribution: Nursing facility utilization fee: 1) for the Montana Mental Health Nursing Care Center – 30 percent to the general fund and 70 percent to the prevention and stabilization account (for use by the Department of Public Health and Human Services to provide health and human services); 2) for all other facilities - \$2.80/bed day to the general fund and \$2.50/bed day to the nursing facility fee account (for use by the Department of Public Health and Human Services to increase the average price paid for Medicaid nursing home services). Intermediate care facility utilization fee: for the Montana Developmental Center - 30 percent to the general fund and 70 percent to the prevention and stabilization account.

Collection Frequency: Quarterly

Major Drivers:

- Residents in nursing homes
- Facility expenses at the Montana Developmental Center
- Fee rate

Potential Factors Influencing Change:

- Economic Factors
 - Change in MT population 65+
 - Available nursing facility beds
 - Long-term health coverage
 - Personal income change
- Social Factors
 - Elderly health conditions
- Legislative Factors
 - State legislative impacts
 -
 - Federal legislative impacts
 - Changes in Medicaid coverage
 - Changes in Medicaid match laws

Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Data Source(s): Department of Public Health and Human Services, Nursing Facilities

Contacts: Department of Public Health and Human Services

Statutory Reference:

Tax Rate (MCA) – Nursing facility utilization fee (15-60-102), intermediate care facility utilization fee (15-67-102(2))

Tax Distribution (MCA) - Nursing facility utilization fee (15-60-102 & 15-60-210), intermediate care facility utilization fee (15-67-102(3))

Date Due - Nursing facility utilization fee due the last day of the month following the close of the calendar quarter (15-60-201), intermediate care facility utilization fee due the month following the close of the calendar quarter (15-67-201(1))

% of Total FY 2004 General Fund Revenue: 0.43%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

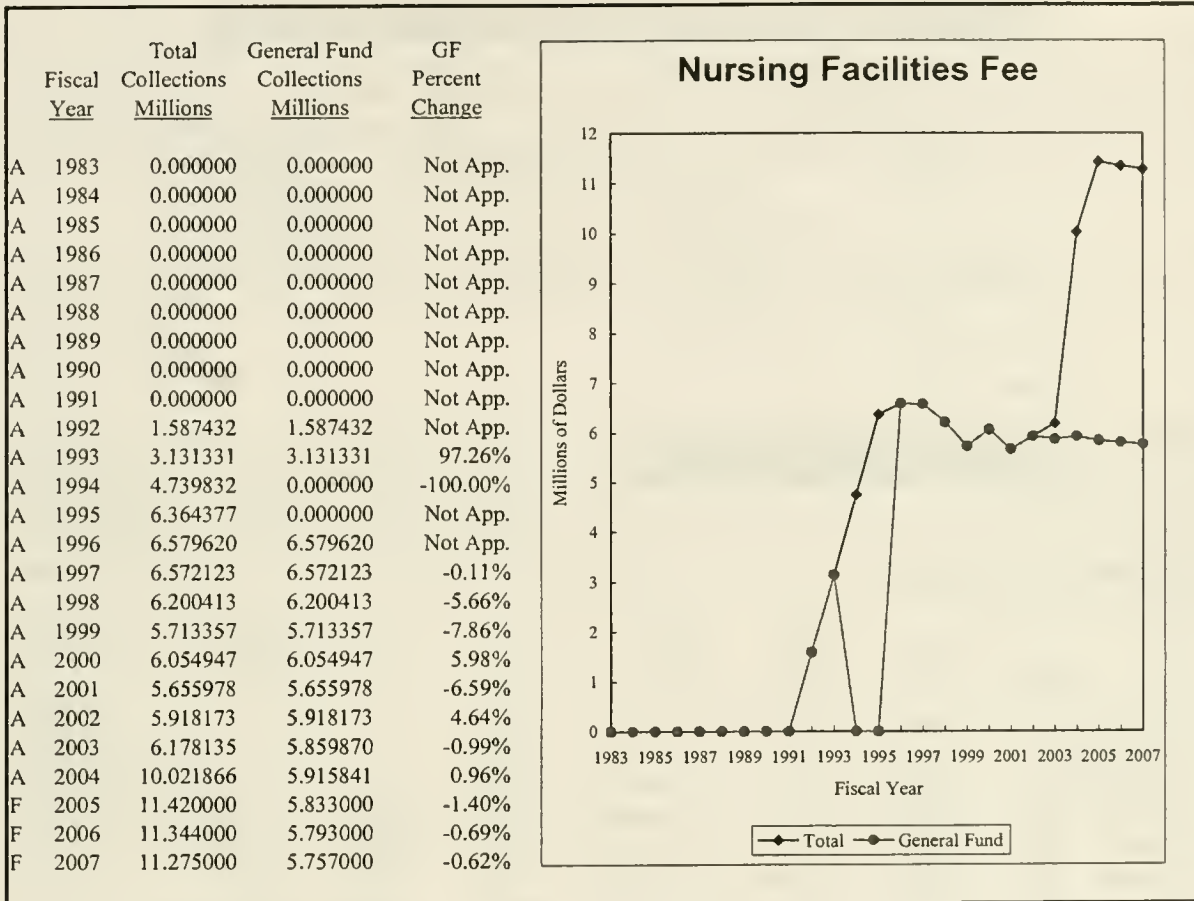
To estimate the revenues for the nursing facility fees the LFD uses a trend regression model. The model predicts the number of bed days expected in all nursing facilities in Montana. The LFD is provided historic bed days from the Department of Revenue for the development of the model. After determining the estimate for future bed days, the fee is applied to the number of bed days. To determine the estimate for the intermediate care facility utilization fee, DPHHS is consulted in determining growth in expenditures at Montana Developmental Center. The fee is then applied to the rate of expenditure for each fiscal year. Finally, the fees are combined to determine the total estimate for nursing facility fees..

Legislative Fiscal Division

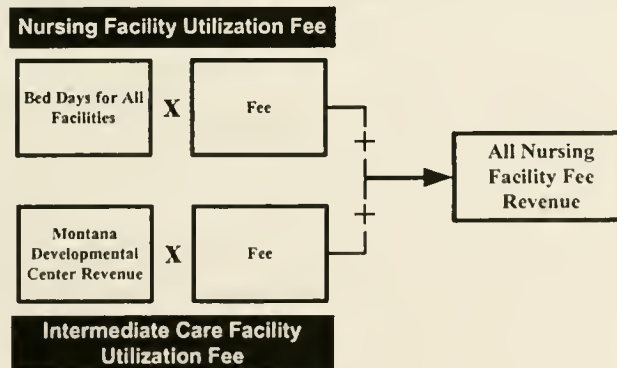
Revenue Estimate Profile

Nursing Facilities Fee

Revenue Projection:



Forecast Methodology

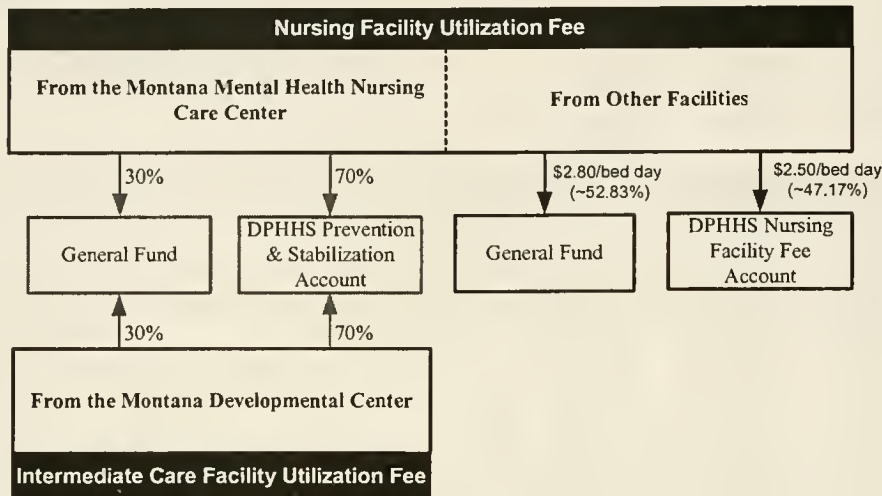


Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Facilities	Bed	Int. Care	Int. Care
	Fiscal	Millions	Millions	Fee	Days	Rate	Revenue
Actual	2000	6.054947	6.054947	2.800000	2.113805		
Actual	2001	5.655978	5.655978	2.800000	2.083501		
Actual	2002	5.918173	5.918173	2.800000	2.072696		
Actual	2003	6.178135	5.859870	2.800000	2.047881	5.0000%	9.093277
Actual	2004	10.021866	5.915841	4.500000	2.043377	5.0000%	17.262568
Forecast	2005	11.420000	5.833000	5.300000	2.015377	5.0000%	14.777145
Forecast	2006	11.344000	5.793000	5.300000	2.001048	5.0000%	14.777145
Forecast	2007	11.275000	5.757000	5.300000	1.988086	5.0000%	14.777145

$$\text{GF Tax} = (\text{Facilities} * \text{Bed}) + (\text{Int. Care Revenue} * \text{Rate})$$

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Revenue Description: The Department of Public Health and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center, Montana State Hospital (MSH), Eastern Montana Veterans' Home, Montana Chemical Dependency Treatment Center, and the Montana Veterans' Home. There are four sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

Applicable Tax Rate(s): N/A

Distribution: Revenue collected from the above sources are deposited in the general fund with the following exceptions:

1. Reimbursements from MDC and MSH are first used to pay debt service on bonds issued to fund construction at these facilities. The remainder is deposited into the general fund.
2. Reimbursements received for the Veterans' Home and Montana Chemical Dependency Treatment Center are deposited into a state special revenue account and appropriated to the institutions.

Collection Frequency: Monthly

Major Drivers:

- Medicaid days
- Medicaid reimbursement rate (FMAP)
- Medical payments (private, insurance, Medicaid, Medicare)
- Debt service

Potential Factors Influencing Change:

- Economic Factors
 - Insurance eligibility of disabled
 - Number of state hospitals
 - Medicaid and Medicare laws
- Social Factors
 - Public perception of institutional care
 - Public desire for community care
 - Public perception of transfer payments, Medicaid and Medicare
- Legislative Factors
 - State legislative impacts
 - Change price/tax
 - Federal legislative impacts
 - Changes in FMAP rate
 - Changes in eligibility

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Data Source(s): SABHRS, Department of Public Health and Human Services

Contacts: Department of Public Health and Human Services

Statutory Reference:

Tax Rate (MCA) – 53-1-402 (requirement to pay)

Tax Distribution (MCA) – 53-1-413

Date Due – monthly (53-1-405(3))

% of Total FY 2004 General Fund Revenue: 1.31%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document.

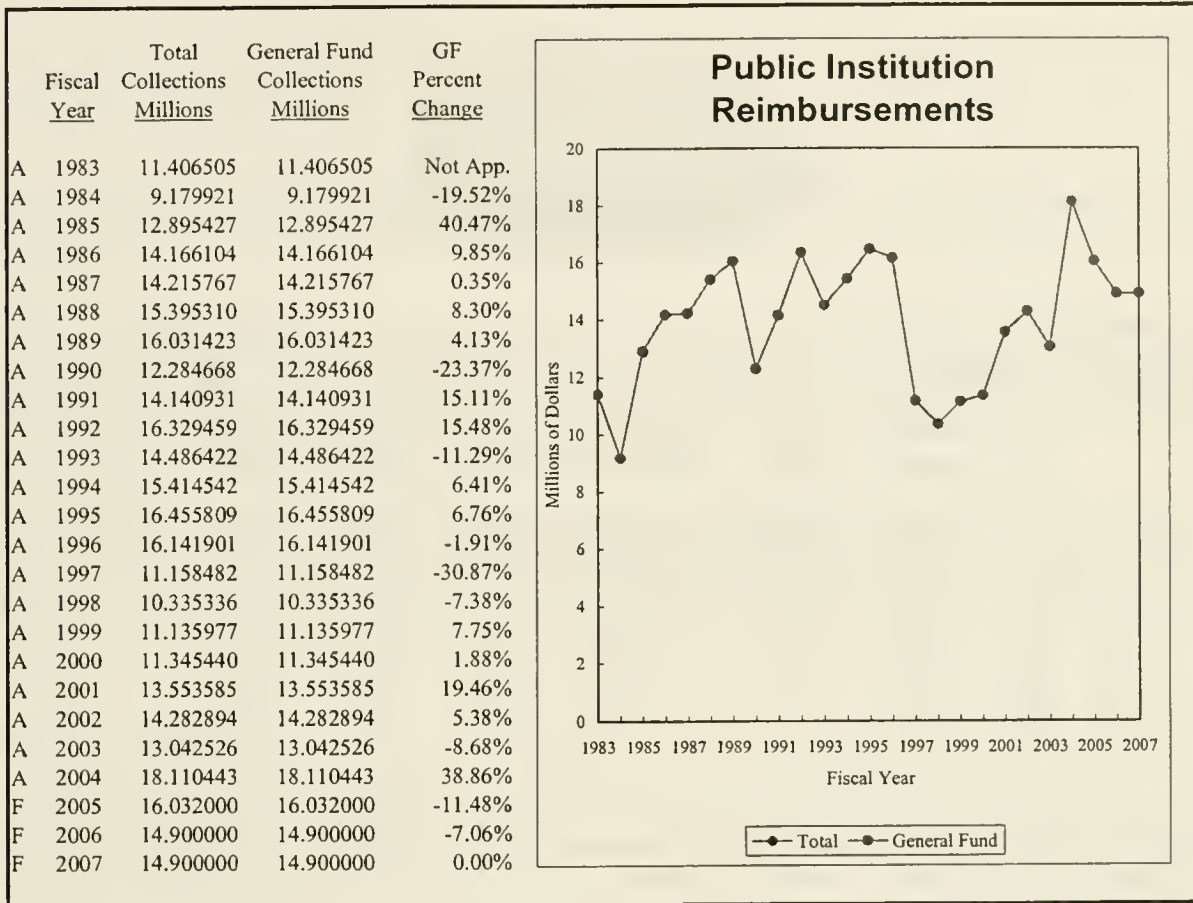
The LFD relies on the Department of Public Health and Human Services (DPHHS) to provide the assumptions for the future collections of public institution reimbursements. DPHHS has intimate knowledge of all circumstances related to the collections of the reimbursements. The methodology includes first multiplying the number of eligible Medicaid days by the reimbursement rate for each institution, then totaling those amounts to derive total Medicaid reimbursement revenue. Then, anticipated reimbursement revenue from private payments, insurance payments, and Medicare payments are added to the Medicaid reimbursements. Building debt service payments for the Montana Developmental Center and the Montana State Hospital are subtracted from total income. After receiving the estimate from DPHHS, the LFD researches particular facts associated with the estimate and makes any adjustments that may be required to determine the estimate for public institution reimbursements.

Legislative Fiscal Division

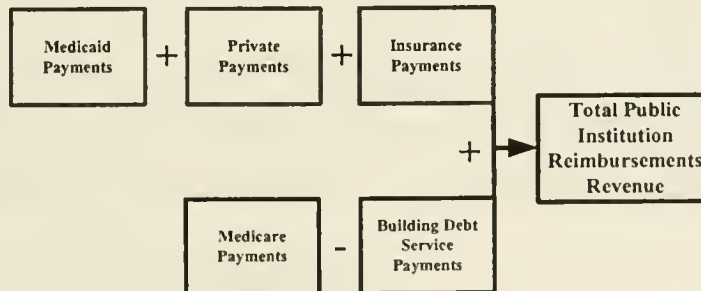
Revenue Estimate Profile

Public Institution Reimbursements

Revenue Projection:



Forecast Methodology



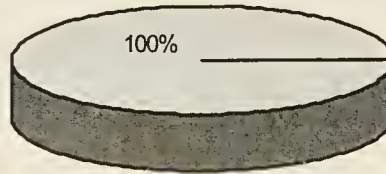
Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Distribution Methodology

General Fund



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>Private</u>	<u>Insurance</u>	<u>Medicaid</u>	<u>Medicare</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	11.345440	11.345440	0.512403	0.000257	12.490967	0.003044
Actual	2001	13.553585	13.553585	0.649965	0.000498	12.887899	0.015223
Actual	2002	14.282894	14.282894	1.483431	0.317047	10.994744	1.487671
Actual	2003	13.042526	13.042526	1.564208	0.451974	9.900342	1.126001
Actual	2004	18.110443	18.110443	1.424453	0.311203	14.336601	2.038187
Forecast	2005	16.032000	16.032000	2.679880	0.412385	14.159464	1.703181
Forecast	2006	14.900000	14.900000	2.671790	0.420305	12.999022	1.735736
Forecast	2007	14.900000	14.900000	2.700531	0.428635	12.929260	1.770020

	<u>t</u>	<u>MDC Debt</u>	<u>MSH Debt</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	-0.965496	0.000000	
Actual	2001	-1.079220	-1.909252	0.000000
Actual	2002	-1.075405	-1.911032	0.000000
Actual	2003	-1.045873	-1.776461	-1.572893
Actual	2004	-0.868888	-1.752261	-3.180119
Forecast	2005	-1.013210	-1.909403	0.000000
Forecast	2006	-1.016710	-1.909403	0.000000
Forecast	2007	-1.014610	-1.913178	0.000000

$$\text{GF Rev.} = \text{Private} + \text{Insurance} + \text{Medicaid} + \text{Medicare} - \text{MDC Debt} - \text{MSH Debt}$$

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Description: Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with four original tobacco companies and 43 subsequent companies to end a four-year legal battle with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities).

Montana is eligible for four types of payments: 1) reimbursement for legal costs (received December 1999); 2) five initial payments (Two were received in fiscal 2000. One each year is expected in fiscal 2001, 2002, and 2003); 3) on-going, perpetual annual payments; and 4) strategic contribution payments (from fiscal 2008 through 2017). The MSA places no restrictions on how the settling parties spend the money.

The total amount of tobacco settlement funds available to Montana is affected by a number of adjustments. These may include inflation, sales volume changes, non-participating manufacturers (NPM) adjustment for the loss of market shares, operating income of the original four tobacco companies, number and operating income of subsequent participating manufactures, number of states reaching state specific finality, settlements reached by the four states not party to the agreement (Florida, Texas, Minnesota, and Mississippi), litigation offsets, disputed payments, and federal tobacco legislation offsets among others.

The adjustment for NPM is applied for the first time beginning fiscal 2006. Amounts paid by manufacturers who participate in the MSA may decrease if they have lost market shares and it is proven that a significant portion of the loss (to companies not participating in the MSA) is due to the disadvantages caused by the MSA. An economics firm must determine if this is the case. Although this has not yet been determined, it is expected that participating manufactures will withhold a portion of their payments in disputed escrow accounts until the matter is resolved, thus reducing payments to the settling entities.

Applicable Tax Rate(s): NA

Distribution: Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. For fiscal 2003, the remaining 60 percent of the money is deposited to the general fund. Due to passage of Initiative 146 by the electorate in November 2002, beginning fiscal 2004, 32 percent of the tobacco settlement money funds tobacco prevention programs and (due to the enactment of SB 485 by the 2003 legislature) human services programs, and 17 percent of the funds is used for the Children's Health Insurance Program and (due to the enactment of SB 485 by the 2003 legislature) match for federal Medicaid funds. The remaining 11 percent of the money is deposited to the general fund. The effects of SB 485 terminate at the end of fiscal 2005.

Collection Frequency: For fiscal 2003: The last initial payment is expected January 10, 2003 and the annual payment is expected April 15th 2003. Beginning fiscal 2004: Annual payments are expected each April 15th into perpetuity. General Tobacco, a new subsequent participating manufacturer, is required to make annual payments every August 30th through calendar 2016 for obligations incurred from 2000 to 2003.

Major Drivers:

- Base payments required in the Master Settlement Agreement
- Payments by subsequent participating manufacturers
- Quantity of cigarettes shipped nationally
- Inflation

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Potential Factors Influencing Change:

- Economic Factors
 - Price of cigarettes (influence on quantity purchased)
 - Financial health of tobacco companies
 - Inflation
 - Operating income of the participating tobacco companies
 - Population change
- Social Factors
 - Perception of health risks
 - Lawsuits against tobacco companies
 - Government or industry announcements
 - Demand of substitutes
- Legislative Factors
 - State legislative impacts
 - Montana's approval of the settlement agreement
 - Changes in cigarette tax (influence on quantity purchased)
 - Appropriations for anti-smoking advertisements
 - Appropriations for enforcement of Master Settlement Agreement provisions
 - Federal legislative impacts
 - Changes in federal cigarette tax

Data Source(s):

Master Settlement Agreement (as amended), Center for Disease Control and Prevention, National Council of State Legislatures, National Association of Attorneys General, Tobacco companies' 10Q report

Contacts: Department of Justice

Statutory Reference:

Tax Rate – NA

Tax Distribution (MCA) – Montana Constitution, Article X11, Section 4; 17-6-606; 53-4-1011

Date Due – annual payments from settling entities due April 15th (Master Settlement Agreement, Chapter IX(c)), General Tobacco annual payments through calendar 2016 due August 30th (General Tobacco Adherence Agreement)

% of Total FY 2004 General Fund Revenue: 0.21%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

1. Annual Payments: The total settlement amount available each year from the original participating manufactures annual payment is adjusted by estimates for the inflation, volume, operating income, previously settled states, and NPM adjustments. The amount of the annual payment from subsequent participating manufactures is derived by adjusting the total settlement amount available each year from the original participating manufactures for volume, market share, inflation and NPM adjustments. These two annual payments are summed and then multiplied by the Montana's percentage share.

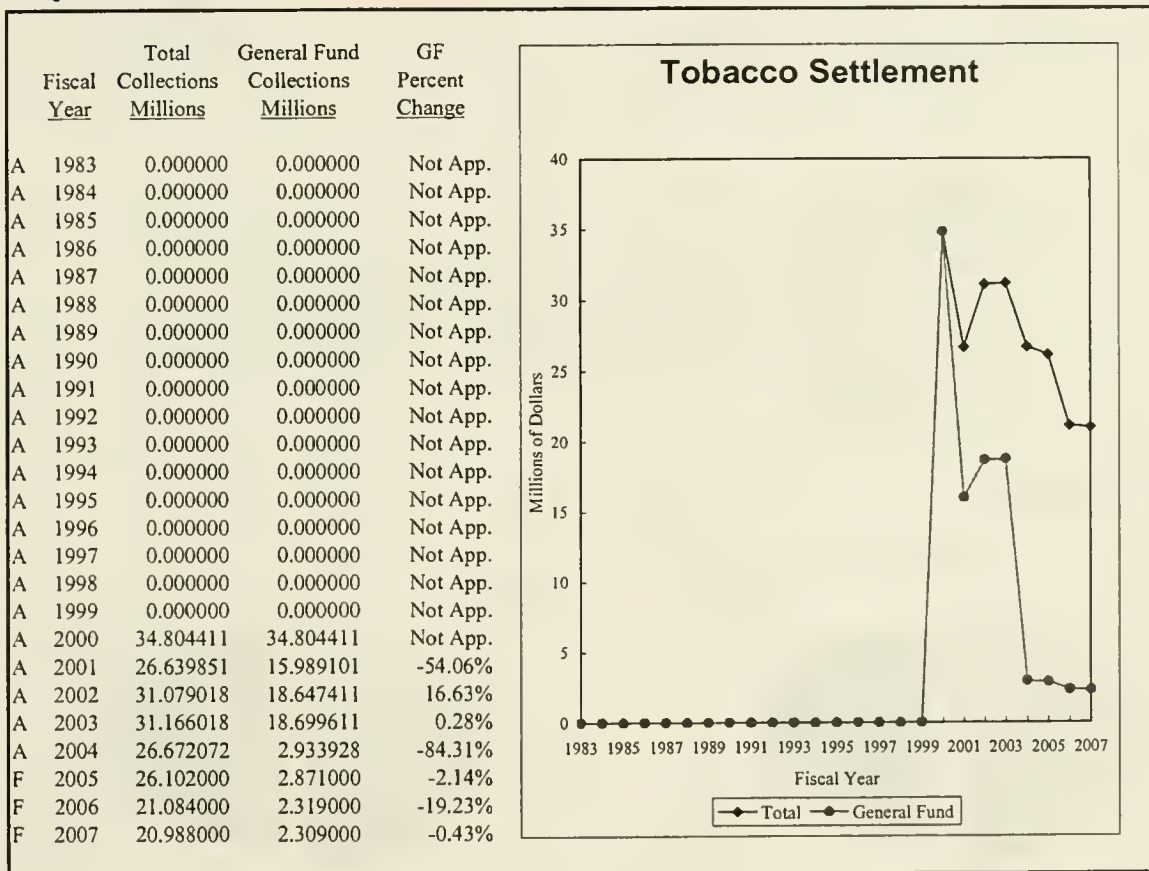
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

2. Initial Payments the (last payment was received in fiscal 2003): The total settlement amount available each year from the initial payment is adjusted by an estimate for the volume adjustment then multiplied by the Montana's percentage share.
3. General Tobacco Annual Payments: For fiscal 2005 only, one-half of the company's calendar 2004 MSA obligation is estimated. Beginning fiscal 2006, net payment obligations (reduced by the amount of escrow funds released to the states) are added to certain accrued interest and an estimate of the other half of the company's calendar 2004 MSA obligation to equal the principal to be paid from fiscal 2006 to fiscal 2017. The applicable portion of the principal owed plus accrued interest earnings equal the total payment that is then multiplied by Montana's share.
4. Total: The sum of the annual payment, the initial payment, and General Tobacco payments equals the amount Montana will receive in that fiscal year.

Revenue Projection:

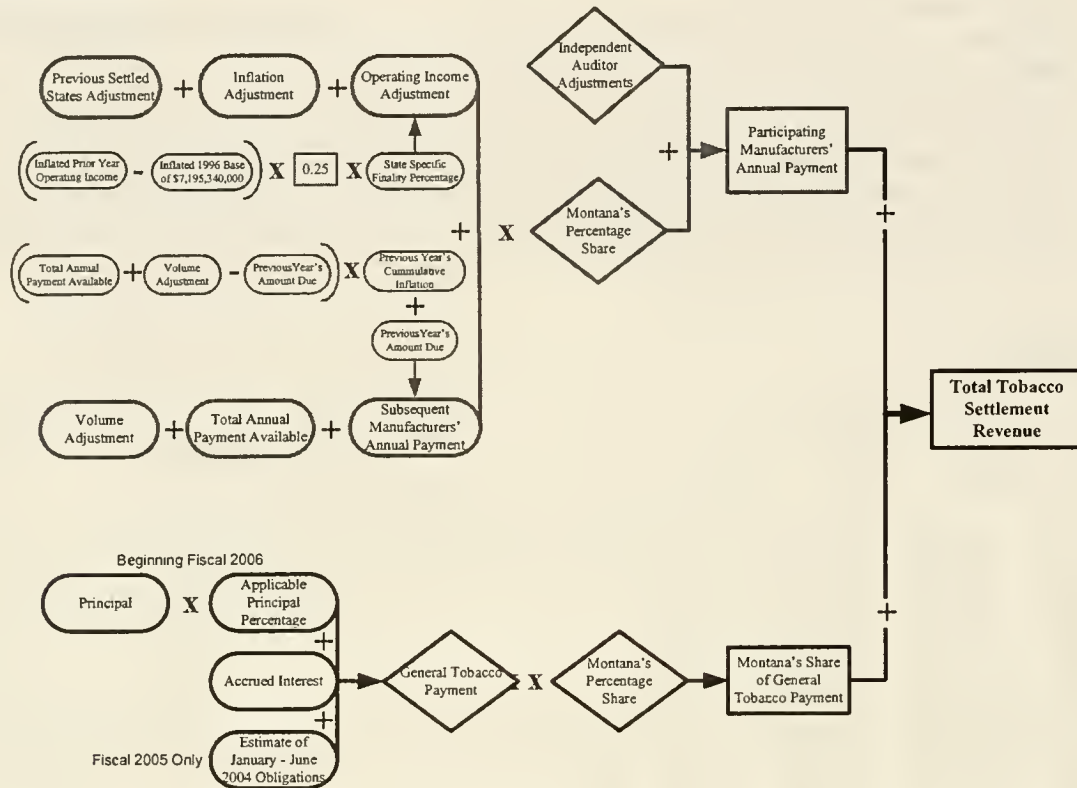


Legislative Fiscal Division

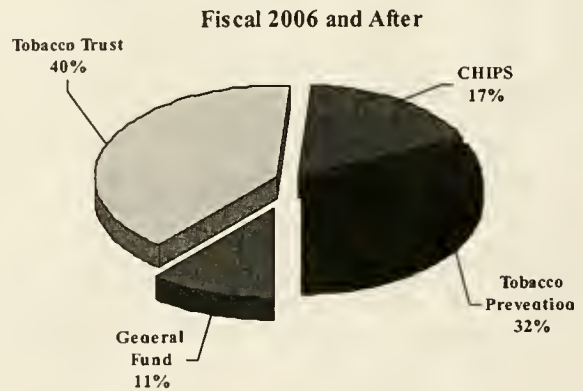
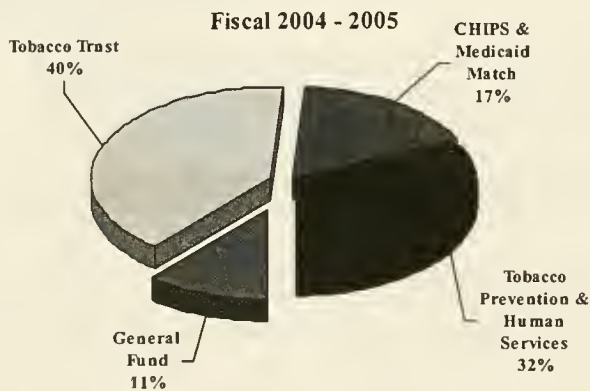
Revenue Estimate Profile

Tobacco Settlement

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Initial	Annual	Montana's	PSS
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Payment</u>	<u>Payment</u>	<u>Share</u>	<u>Reduction</u>
				<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	34.804411	34.804411	4872.000000	4500.000000	0.004247591	-0.124500000
Actual	2001	26.639851	15.989101	2546.160000	5000.000000	0.004247591	-0.124500000
Actual	2002	31.079018	18.647411	2622.544800	6500.000000	0.004247591	-0.124500000
Actual	2003	31.166018	18.699611	2701.221144	6500.000000	0.004247591	-0.124500000
Actual	2004	26.672072	2.933928	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2005	26.102000	2.871000	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2006	21.084000	2.319000	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2007	20.988000	2.309000	0.000000	8000.000000	0.004247591	-0.124500000

	t	Annual	Cummulative	Adjustment	Adjusted	Annual	Cummulative
	<u>Fiscal</u>	<u>Vol. Change</u>	<u>Vol. Change</u>	<u>Factor</u>	<u>Vol. Change</u>	<u>CPI Change</u>	<u>CPI Change</u>
		<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	-0.140094943	-0.140094943	0.980000000	-0.137293044	0.030000000	0.030000000
Actual	2001	-0.015542065	-0.153459643	0.980000000	-0.150390450	0.033868093	0.064884100
Actual	2002	-0.045780332	-0.192214542	0.980000000	-0.188370251	0.030000000	0.096830600
Actual	2003	-0.049400356	-0.232119431	0.980000000	-0.227477042	0.030000000	0.129735500
Actual	2004	-0.056361859	-0.275398607	0.980000000	-0.269890635	0.030000000	0.163627600
Forecast	2005	-0.056361859	-0.316238489	0.980000000	-0.309913719	0.030000000	0.198536400
Forecast	2006	-0.056361859	-0.354776559	0.980000000	-0.347681028	0.030000000	0.234492500
Forecast	2007	-0.056361859	-0.391142552	0.980000000	-0.383319701	0.030000000	0.271527300

	t	Op. Income	SPM	General	NPM
	<u>Fiscal</u>	<u>Adjustment</u>	<u>Payment</u>	<u>Tobacco</u>	<u>Adjustment</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	40.787986	46.446683		
Actual	2001	64.221594	78.134224		
Actual	2002	0.000000	144.417783		
Actual	2003	0.000000	240.733198		
Actual	2004	0.000000	293.806967		
Forecast	2005	0.000000	352.138345	0.000000	0.000000
Forecast	2006	0.000000	434.712146	0.072141	-4.791702
Forecast	2007	0.000000	552.748361	0.080386	-4.767922

$$\text{Total Tax} = [\text{Annual} * (1 + \text{Value Change}) * (1 + \text{Cumulative CPI}) * (1 + \text{PSS}) + \text{Op. Income} + \text{SPM}] * \text{Montana's} + \text{General}$$

HOUSE JOINT RESOLUTION 2



____ JOINT RESOLUTION NO. ____

INTRODUCED BY

(Primary Sponsor)

BY REQUEST OF THE REVENUE AND TRANSPORTATION INTERIM COMMITTEE

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN OFFICIAL ESTIMATE OF THE STATE'S ANTICIPATED GENERAL FUND REVENUE FOR EACH YEAR OF THE 2006-07 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING A PRELIMINARY JUNE 30, 2004, UNRESERVED GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; ESTABLISHING OFFICIAL ESTIMATES OF CERTAIN NONGENERAL FUND REVENUE; AND REQUESTING THAT THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR FISCAL YEARS 2005, 2006, AND 2007.

WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal period, containing in detail for all operating funds the proposed expenditures and estimated revenue of the state; and

WHEREAS, Article VIII, section 9, of the Montana Constitution prohibits the Legislature from appropriating funds in excess of the anticipated revenue of the state; and

WHEREAS, section 5-5-227(2), MCA, requires the Revenue and Transportation Interim Committee to estimate the amount of revenue projected to be available for legislative appropriation and to introduce a resolution setting forth the Committee's current revenue estimate for the biennium; and

WHEREAS, section 5-5-227(3), MCA, expresses the Legislature's intent that its revenue estimates and the underlying assumptions used to derive those estimates be used by all agencies in the development of fiscal notes; and

1 WHEREAS, section 5-12-302(6), MCA, requires the Legislative Fiscal Analyst to assist the Revenue and Transportation Interim Committee in
2 its revenue estimating duties; and

3 WHEREAS, to assist in its revenue estimating responsibilities, the Revenue and Transportation Interim Committee requested the assistance of
4 the Legislative Fiscal Analyst, as allowed in section 5-5-227(4), MCA, to provide information on taxes and revenue sources; and

5 WHEREAS, the Revenue and Transportation Interim Committee obtains the assistance of Executive Branch agencies in the development of the
6 revenue estimates; and

7 WHEREAS, the Revenue and Transportation Interim Committee has adopted revenue estimates and the underlying assumptions used to derive
8 those estimates for the general fund and for specific nongeneral fund sources that are significant in the development of the state budget for the 2007
9 biennium; and

10 WHEREAS, the amount of estimated revenue and the general fund balance affects policy decisions of the Executive Branch and the Legislative
11 Branch; and

12 WHEREAS, the revenue estimates and the underlying assumptions contained in this resolution provide the basis for a comprehensive analysis
13 of the state's revenue condition.

14

15 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

16 That the state general fund revenue for fiscal years 2005, 2006, and 2007 be estimated to be \$1,384,639,000, \$1,429,143,000, and
17 \$1,469,173,000, respectively.

18 BE IT FURTHER RESOLVED, that the Legislature accept for budget purposes the preliminary unreserved fiscal year 2004 fund balance of
19 \$135,254,000 for the general fund, prepared according to generally accepted accounting principles.

20 BE IT FURTHER RESOLVED, that the Governor's Office of Budget and Program Planning use the revenue estimates and the underlying
21 assumptions contained in this resolution as the official revenue estimates for fiscal years 2005, 2006, and 2007.

GENERAL FUND REVENUE

The projections for total general fund revenue for fiscal years 2005, 2006, and 2007 are based on the assumption of a continuation of Montana law as it existed on January 1, 2005. The revenue estimates contained in the following tables are based on the assumptions listed in the tables that follow the general fund estimates and the assumptions for each general fund revenue source contained in the "Legislative Budget Analysis, 2007 Biennium, Volume 2 -- Revenue Estimates" (Revenue Estimates as adopted by the Revenue and Transportation Interim Committee) prepared by the Legislative Fiscal Division.

Current Law

General Fund Revenue Estimates

(In Millions of Dollars)

Adjusted

	Actual	Estimated	Estimated	Estimated
	FY 2004	FY 2005	FY 2006	FY 2007
Source of Revenue				
Individual Income Tax	\$605.348	\$588.638	\$605.029	\$629.840
Statewide and Vo-Tech Property Taxes	169.531	170.051	175.823	182.663
Vehicle Tax	83.607	80.360	80.140	82.050
Corporation Income Tax	67.723	66.332	80.621	77.927
Insurance Tax and License Fees	56.533	59.272	62.163	65.220
Video Gambling Tax	50.749	52.932	55.304	57.782
All Other Revenue	30.242	28.304	24.734	24.923
Permanent Coal Trust Interest Earnings	34.907	35.999	36.790	37.244
Motor Vehicle Fee	30.724	31.730	36.770	37.819

1	U.S. Mineral Royalty	28.736	35.837	34.660	35.334
2	Telecommunications Excise Tax	20.890	21.307	21.700	22.101
3	Tobacco Settlement	2.934	2.871	2.319	2.309
4	Public Institution Reimbursements	18.110	16.032	14.900	14.900
5	3% Accommodations Sales Tax	9.279	10.113	10.715	11.419
6	Estate Tax	11.431	3.701	1.950	0.939
7	Oil and Natural Gas Production Tax	41.324	58.206	58.498	59.057
8	Treasury Cash Account Interest	6.393	10.602	13.287	13.015
9	Liquor Excise and License Tax	10.718	11.125	11.535	11.959
10	Coal Severance Tax	8.643	9.105	8.659	8.841
11	Cigarette Tax	36.002	34.608	33.193	32.030
12	Lottery Profits	8.116	7.273	7.288	7.953
13	Nursing Facilities Fee	5.916	5.833	5.793	5.757
14	Liquor Profits	6.500	6.608	6.854	7.158
15	Investment License Fee	4.834	4.464	4.598	4.736
16	Electrical Energy Producer's License Tax	4.661	4.295	4.276	4.270
17	Highway Patrol Fines	4.084	4.104	4.125	4.143
18	Metalliferous Mines Tax	3.232	4.483	5.328	5.533
19	Public Contractors Tax	2.120	1.748	3.030	2.872
20	Wholesale Energy Transaction Tax	3.293	3.485	3.520	3.555
21	Beer Tax	2.897	2.933	2.986	3.039

1	Driver's License Fee	3.021	2.997	3.011	3.018
2	Rental Car Sales Tax	2.486	2.593	2.704	2.820
3	Tobacco Tax	3.562	3.677	3.779	3.847
4	Railroad Car Tax	1.568	1.585	1.574	1.562
5	Wine Tax	1.423	1.436	1.487	1.538
6	Total General Fund	\$1,381.565	\$1,384.639	\$1,429.143	\$1,469.173

SIGNIFICANT ASSUMPTIONS FOR GENERAL FUND REVENUE ESTIMATES

Revenue and Transportation Interim Committee

9	Year Assumption	2004	2005	2006	2007
10	Individual Income Tax				
11	FY Income Tax Audit Collections (Millions)	\$29.922	\$25.501	\$26.162	\$27.578
12	CY Taxpayer Population (Percent Change)	1.00%	2.01%	3.03%	4.08%
13	FY 30% Bonus Depreciation (Percent Change)	(30.00%)	(69.31%)	(500.56%)	(39.19%)
14	Income Indicators				
15	CY Wage and Salary Income (Percent Change)	5.70%	4.40%	4.50%	4.50%
16	CY Net Farm Income (Percent Change)	0.00%	0.00%	0.00%	0.00%
17	CY Interest Income (Percent Change)	1.48%	1.37%	1.03%	4.37%
18	CY Dividend Income (Percent Change)	11.96%	1.42%	6.39%	6.34%
19	CY Rent, Royalty, and Partnership				
20	Income (Percent Change)	10.19%	9.10%	7.69%	7.38%
21	CY Net Business Income (Percent Change)	8.89%	7.02%	5.58%	5.91%

**Legislative
Services
Division**

LC 371

1	FY	Property Class Three (Millions)	\$140.240	\$139.902	\$139.902	\$139.902
2	FY	Property Class Four (Millions)	\$1,034.656	\$1,076.985	\$1,118.987	\$1,162.627
3	FY	Property Class Five (Millions)	\$32.725	\$34.024	\$34.058	\$34.092
4	FY	Property Class Seven (Millions)	\$0.995	\$0.974	\$0.974	\$0.974
5	FY	Property Class Eight (Millions)	\$118.297	\$117.241	\$121.344	\$125.591
6	FY	Property Class Nine (Millions)	\$212.111	\$219.993	\$219.773	\$219.553
7	FY	Property Class Ten (Millions)	\$6.789	\$6.791	\$6.676	\$6.562
8	FY	Property Class Twelve (Millions)	\$45.630	\$45.074	\$44.173	\$43.289
9	FY	Property Class Thirteen (Millions)	\$125.623	\$120.485	\$118.557	\$116.660
10	FY	Total Taxable Value (Millions)	\$1,703.301	\$1,756.251	\$1,802.672	\$1,856.268
11		Other Property Tax Indicators				
12	FY	Tax Increment Finance Value (Millions)	\$33.562	\$27.767	\$27.767	\$23.430
13	FY	Property Tax Abatement Value (Millions)	\$3.188	\$4.088	\$4.195	\$4.308
14	FY	Taxable Value in 1.5-Mill Vo-Tech Counties				
15		(Millions)	\$596.513	\$608.056	\$624.056	\$646.070
16		Property Tax Nonlevy Revenue				
17	FY	40-Mill Nonlevy Revenue (Millions)	\$4.315	\$0.000	\$0.000	\$0.000
18	FY	40-Mill Adjustments (Millions)	(\$7.063)	(\$5.650)	(\$4.238)	(\$2.825)
19	FY	55-Mill Nonlevy Revenue (Millions)	\$13.316	\$8.315	\$8.241	\$8.543
20	FY	55-Mill Adjustments (Millions)	\$0.000	(\$0.370)	(\$0.370)	(\$0.370)
21	FY	1.5-Mill Nonlevy Revenue (Millions)	\$0.000	\$0.000	0.000	\$0.000

1	FY	1.5-Mill Adjustments (Millions)	\$0.000	\$0.000	\$0.000	\$0.000
2		Vehicle Tax				
3	FY	Large Trucks Growth Rate				
4		(Percent Change)	11.20%	2.40%	2.40%	2.40%
5	FY	Motor Home Growth Rate (Percent Change)	67.34%	2.40%	2.40%	2.40%
6	FY	Light Vehicle Growth Rate				
7		(Percent Change)	34.18%	2.40%	2.40%	2.40%
8	FY	Boat and Snowmobile Growth Rate				
9		(Percent Change)	2.63%	2.40%	2.40%	2.40%
10	FY	New Light Vehicle Registration				
11		Growth Rate (Percent Change)	34.18%	2.40%	2.40%	2.40%
12		Corporation License Tax				
13	FY	U.S. Profits (Billions)	\$933.400	\$1,165.200	\$1,348.500	\$1,383.200
14	FY	Penalty and Interest (Millions)	\$4.143	\$0.000	\$0.000	\$0.000
15	FY	Corporate Income Tax Audits (Millions)	\$10.031	\$3.000	\$3.500	\$4.000
16	FY	Depreciation (Millions)	(\$8.721)	(\$1.075)	\$4.303	\$2.616
17	FY	Adjustments (Millions)	(\$13.195)	(\$8.400)	\$0.000	\$0.000
18		Insurance Premiums Tax and License Fees				
19	FY	General Fund Fee Revenue (Millions)	\$0.623	\$0.623	\$0.623	\$0.623
20	FY	Genetics Fee (Millions)	\$0.583	\$0.583	\$0.583	\$0.583
21	FY	Premiums Tax (Millions)	\$56.775	\$59.593	\$62.551	\$65.656

1	FY	Offsets (Millions)	\$1.161	\$1.128	\$1.120	\$1.168
2	FY	Refunds (Millions)	\$0.287	\$0.400	\$0.475	\$0.475
3	Video Gambling Tax					
4	FY	Video Machine Net Income (Millions)	\$332.903	\$352.877	\$368.688	\$385.208
5	Motor Vehicle Fee--General Fund Allocations					
6	FY	Motor Vehicle Registration Fee				
7	(Millions)		\$22.577	\$22.011	\$22.539	\$23.080
8	FY	Recording of Liens Fee (Millions)	\$0.737	\$0.755	\$0.773	\$0.792
9	FY	Title Fee (Millions)	\$2.660	\$2.724	\$2.790	\$2.857
10	FY	Park Fees	\$0.000	\$0.000	\$2.744	\$2.810
11	FY	Personal License Plate Fee (Millions)	\$1.492	\$1.528	\$1.565	\$1.602
12	FY	New License Plate Fee (Millions)	\$0.910	\$1.331	\$4.935	\$2.447
13	FY	Senior Citizen Transit Fee (Millions)	\$0.394	\$0.404	\$0.413	\$0.423
14	FY	Other Fees (Millions)	\$1.953	\$2.171	\$2.223	\$2.276
15	U.S. Mineral Royalty					
16	CY	Oil Production (Millions of Barrels)	4.026	4.954	5.309	6.045
17	CY	Coal Production (Millions of Tons)	21.699	19.528	20.565	22.789
18	CY	Natural Gas Production (MMCF)	25.100	25.126	24.018	27.129
19	CY	Oil Price (Per Barrel)	\$44.786	\$38.516	\$33.394	\$33.570
20	CY	Coal Price (Per Ton)	\$9.448	\$9.134	\$9.285	\$9.240
21	CY	Natural Gas Price (Per MCF)	\$6.929	\$6.468	\$6.365	\$5.213

1	CY	Oil Royalty Rate (Percent)	10.96%	10.93%	10.91%	10.93%
2	CY	Coal Royalty Rate (Percent)	12.32%	12.33%	12.34%	12.33%
3	CY	Natural Gas Royalty Rate (Percent)	12.29%	12.30%	12.28%	12.30%
4	CY	Other Royalties (Millions)	\$0.107	\$0.108	\$0.107	\$0.108
5	CY	Rent and Bonus (Millions)	\$6.944	\$6.944	\$6.944	\$6.944
6		Telecommunications Excise Tax				
7	FY	Taxable Gross Receipts (Millions)	\$544.550	\$554.842	\$565.328	\$576.013
8		Tobacco Settlement				
9	FY	Volume Change (Percent Change)	(5.64%)	(5.64%)	(5.64%)	(5.64%)
10	FY	Cumulative Volume Change				
11		(Percent Change)	(27.54%)	(31.62%)	(35.48%)	(39.11%)
12	FY	CPI Change (Percent Change)	3.00%	3.00%	3.00%	3.00%
13	FY	Cumulative CPI Change (Percent Change)	16.36%	19.85%	23.45%	27.15%
14	FY	Operating Income Adjustment (Millions)	\$0.000	\$0.000	\$0.000	\$0.000
15	FY	Subsequent Manufacturers' Payment				
16		(Millions)	\$293.807	\$352.138	\$434.712	\$552.748
17	FY	Nonparticipating Manufacturers' Adjustment (Millions)	\$0.000	\$0.000	(\$4.792)	(\$4.768)
19		Public Institution Reimbursements				
20	FY	Private Payments (Millions)	\$1.424	\$2.680	\$2.672	\$2.700
21	FY	Insurance Payments (Millions)	\$0.311	\$0.412	\$0.420	\$0.429

1	FY	Medicaid Payments (Millions)	\$14.337	\$14.159	\$12.999	\$12.929
2	FY	Medicare Payments (Millions)	\$2.038	\$1.703	\$1.736	\$1.770
3	FY	Debt Service MT Developmental Center				
4		(Millions)	(\$0.869)	(\$1.013)	(\$0.017)	(\$1.015)
5	FY	Debt Service MT State Hospital				
6		(Millions)	(\$1.752)	(\$1.909)	(\$1.909)	(\$1.913)
7	FY	Adjustments (Millions)	(\$3.180)	\$0.000	\$0.000	\$0.000
8		Estate Tax				
9	FY	Annual Change in Tax (Percent Change)	(14.09%)	(67.62%)	(47.32%)	(51.85%)
10		Oil Production Tax				
11	CY	Oil Production (Million Barrels)	22.324	27.472	29.439	33.517
12	CY	Montana Oil Price				
13		(Weighted Price/Barrel)	\$46.00	\$39.56	\$34.30	\$34.48
14	CY	Exempt Value of Production (Millions)	\$29.461	\$21.455	\$23.350	\$30.139
15	CY	Effective Tax Rate (Percent)	9.07%	8.45%	9.00%	8.57%
16		Natural Gas Production Tax				
17	CY	Natural Gas Production (MMCF)	89.464	100.744	107.368	116.048
18	CY	Montana Natural Gas Price				
19		(Weighted Price/MCF)	\$5.41	\$5.05	\$4.97	\$4.07
20	CY	Exempt Value of Production (Millions)	\$19.884	\$14.230	\$16.941	\$16.790
21	CY	Effective Tax Rate (Percent)	9.42%	9.14%	9.05%	9.01%

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1	(Millions)	\$20.771	\$19.801	\$19.886	\$19.950
2	Nursing Facilities Fee				
3	FY Bed Days (Millions)	2.043	2.015	2.001	1.988
4	Liquor Profits				
5	FY Gross Liquor Sales (Millions)	\$70.828	\$73.444	\$76.161	\$78.979
6	FY Cost of Goods Sold (Millions)	\$39.933	\$41.920	\$43.471	\$45.080
7	FY Liquor Discounts and Commissions				
8	(Millions)	\$8.165	\$8.467	\$8.781	\$9.106
9	FY Liquor Operating Costs (Millions)	\$1.300	\$1.302	\$1.349	\$1.348
10	FY Other Income (Millions)	\$0.010	\$0.009	\$0.009	\$0.009
11	Investment License Fee				
12	FY License Registration (Percent Change)	(5.99%)	0.00%	0.00%	0.00%
13	FY Portfolio Growth (Percent Change)	11.46%	3.00%	3.00%	3.00%
14	FY Expense Growth (Percent Change)	113.05%	0.00%	0.00%	0.00%
15	Electrical Energy Tax				
16	FY Kilowatt Hours Produced (Millions)	22,310.179	21,473.543	21,377.175	21,345.793
17	Highway Patrol Fines				
18	FY Highway Patrol Fines (Percent Change)	(0.62%)	0.48%	0.50%	0.45%
19	Metalliferous Mines Tax				
20	CY Copper Production (Million lb)	71.660	74.044	74.154	74.209
21	CY Silver Production (Million oz)	1.640	1.426	1.340	1.344

1	CY	Gold Production (Million oz)	0.043	0.158	0.227	0.270
2	CY	Lead Production (Million lb)	9.816	17.786	19.435	19.435
3	CY	Zinc Production (Million lb)	20.154	40.152	50.168	50.168
4	CY	Molybdenum Production (Million lb) Not disclosed, confidential information				
5	CY	Palladium Production (Million oz) Not disclosed, confidential information				
6	CY	Platinum Production (Million oz) Not disclosed, confidential information				
7	CY	Nickel Production (Million lb)	1.420	1.310	1.448	1.517
8	CY	Rhodium Production (Million oz) Not disclosed, confidential information				
9	CY	Sapphire Production (Million oz)	0.000	0.000	0.000	0.000
10	CY	Copper Sulfide Production (Million lb)	0.000	0.000	0.000	0.000
11	CY	Copper Price (Per lb)	\$0.887	\$0.995	\$0.910	\$0.845
12	CY	Silver Price (Per oz)	\$6.174	\$6.330	\$6.390	\$6.390
13	CY	Gold Price (Per oz)	\$399.953	\$411.080	\$421.740	\$437.730
14	CY	Lead Price (Per lb)	\$0.423	\$0.420	\$0.420	\$0.420
15	CY	Zinc Price (Per lb)	\$0.488	\$0.490	\$0.490	\$0.490
16	CY	Molybdenum Price (Per lb) Not disclosed, confidential information				
17	CY	Palladium Price (Per oz) Not disclosed, confidential information				
18	CY	Platinum Price (Per oz) Not disclosed, confidential information				
19	CY	Nickel Price (Per lb)	\$6.295	\$6.300	\$6.300	\$6.300
20	CY	Rhodium Price (Per oz) Not disclosed, confidential information				
21	CY	Sapphire Price (Per oz)	\$0.000	\$0.000	\$0.000	\$0.000

1	CY	Copper Sulfide Price (Per lb)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
2	FY	Effective Tax Rate (Percent)	1.69%	1.68%	1.67%	1.67%	1.67%
3	Public Contractor's Tax						
4	FY	Tax Before Credits (Millions)	\$6.004	\$6.399	\$6.327	\$6.239	\$6.239
5	FY	Credits and Refunds (Millions)	\$3.884	\$4.651	\$3.298	\$3.367	\$3.367
6	Wholesale Energy Tax						
7	FY	Kilowatt Hours (Millions)	23,961.126	23,235.939	23,468.298	23,702.981	23,702.981
8	FY	Credits for Taxes Paid (Million)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
9	Beer Tax						
10	FY	Beer Barrels (Million)	0.901	0.911	0.928	0.944	0.944
11	FY	Tribal Distribution (Million)	(\$0.059)	(\$0.057)	(\$0.058)	(\$0.060)	(\$0.060)
12	FY	Effective Tax Rate (Percent)	4.28%	4.28%	4.28%	4.28%	4.28%
13	Driver's License Fees						
14	FY	Driver's License Fees (Millions)	\$2.291	\$2.301	\$2.313	\$2.320	\$2.320
15	FY	Duplicate License Fees (Millions)	\$0.186	\$0.186	\$0.187	\$0.188	\$0.188
16	FY	Motorcycle Endorsement Fees (Millions)	\$0.014	\$0.014	\$0.015	\$0.015	\$0.015
17	FY	Commercial Vehicle					
18		Endorsement (Millions)	\$0.421	\$0.421	\$0.421	\$0.421	\$0.421
19	Tobacco Tax						
20	FY	Value of Tobacco Products (Millions)	\$4.160	\$3.830	\$3.736	\$3.831	\$3.831
21	FY	Snuff Ounces (Millions)	8.080	7.393	7.255	7.440	7.440

1 FY Tribal Distribution (Millions)

(\$0.064) (\$0.085) (\$0.163) (\$0.223)

2 Railroad Car Tax

3 CY Total MT Market Value of Fleets

4 (Millions)

\$84.020 \$82.645 \$82.840 \$82.840

5 CY Taxable Value Rate (Percent)

3.88% 3.81% 3.70% 3.60%

6 CY 95% of Industrial and

7 Commercial Mill Levy

474.429 503.390 513.458 523.727

8 Wine Tax

9 FY Wine Liters (Million)

7.794 7.858 8.136 8.415

10 FY Tribal Distribution (Million)

(\$0.029) (\$0.028) (\$0.029) (\$0.030)

11 SELECTED NONGENERAL FUND REVENUE

12 The projections for selected nongeneral fund revenue during the 2007 biennium are based on the assumption of a continuation of Montana law
 13 as it existed on January 1, 2005. The revenue estimates contained in the following table are based on the assumptions listed in the tables that follow the
 14 nongeneral fund estimates and the assumptions for each nongeneral fund revenue source contained in the "Legislative Budget Analysis, 2007 Biennium,
 15 Volume 2 -- Revenue Estimates" (Revenue Estimates as adopted by the Revenue and Transportation Interim Committee) prepared by the Legislative
 16 Fiscal Division.

17 Current Law

18 Selected Nongeneral Fund Revenue Estimates

19 (In Millions of Dollars)

20 Source of Revenue

Actual Estimated Estimated Estimated

	FY 2004	FY 2005	FY 2006	FY 2007
1				
2 Gasoline Tax	\$129.154	\$129.752	\$127.007	\$124.916
3 Diesel Tax	60.750	63.287	65.929	68.681
4 Common School Interest and Income	55.663	60.373	59.307	58.106
5 GVW and Other Fees	27.500	27.896	28.287	28.732
6 Federal Forest Receipts	12.491	12.654	12.795	12.878
7 6-Mill Property Tax	11.012	10.704	10.983	11.278
8 Resource Indemnity Trust Interest	7.380	7.401	7.417	7.420
9 Treasure State Endowment Trust Interest	8.349	9.094	9.704	10.230
10 Gasoline Storage Tank Tax	3.808	3.825	3.841	3.858
11 Resource Indemnity Trust Tax	1.251	1.229	1.176	1.323
12 Diesel Storage Tank Tax	2.431	2.532	2.638	2.748
13 Parks Trust Interest Earnings	1.140	1.163	1.191	1.217
14 Capital Land Grant Interest and Income	2.413	0.820	0.939	0.943
15 Tobacco Trust Interest Earnings	2.670	3.123	3.709	4.230
16 Regional Water Trust Interest Earnings	1.201	1.487	1.757	2.007
17 Pine Hills Interest and Income	0.394	0.388	0.388	0.389
18 Cultural Trust Interest Earnings	0.326	0.338	0.351	0.364
19 Deaf and Blind Trust Interest and Income	0.299	0.304	0.305	0.306
20 Total Nongeneral Fund	\$328.232	\$336.370	\$337.724	\$339.627

SELECTED ASSUMPTIONS FOR NONGENERAL FUND REVENUE ESTIMATES

Revenue and Transportation Interim Committee

	2004	2005	2006	2007
1				
2	Year Assumption			
3	Gasoline Tax			
4	FY Taxable Gallons of Gasoline (Millions)	507.837	510.042	512.256
5	FY Taxable Gallons of Gasoline--			514.480
6	Storage Tank Cleanup (Millions)	507.767	509.971	512.185
7	FY Refunds (Millions)	(\$2.830)	(\$2.842)	(\$2.854)
8	FY Tribal Distribution (Millions)	(\$3.761)	(\$3.740)	(\$3.736)
9	FY Alcohol Incentive (Millions)	\$0.000	\$0.000	(\$6.000)
10	Diesel Tax			
11	FY Taxable Gallons of Diesel (Millions)	237.218	247.121	257.438
12	FY Taxable Gallons of Diesel--			268.185
13	Storage Tank Cleanup (Millions)	324.090	337.620	351.715
14	FY Refunds (Millions)	(\$4.419)	(\$4.604)	(\$4.796)
15	GVW Fees			366.398
16	FY GVW Fees (Millions)	\$8.586	\$8.708	\$8.832
17	FY Form 3 GVW Fees (Millions)	\$1.007	\$1.025	\$1.016
18	FY Trip Permit Fees (Millions)	\$0.445	\$0.445	\$0.445
19	FY County GVW Fees (Millions)	\$9.398	\$9.531	\$9.667
20	FY Overweight Trip Permit Fees (Millions)	\$1.903	\$1.975	\$2.064
21	FY Special Permit Fees (Millions)	\$0.978	\$0.994	\$1.013

1	FY	Temporary Fuel Permits (Millions)					
2	FY	Other Fees (Millions)					
3	Other 6-Mill Levy Indicators (See General Fund Property						
4	Tax Assumptions for Other Detail)						
5	FY	Taxable Value (Millions)	\$1,736.863	\$1,784.018	\$1,830.438	\$1,879.698	
6	FY	Nonlevy Revenue (Millions)	\$0.000	\$0.000	\$0.000	\$0.000	
7	FY	6-Mill Adjustments (Millions)	\$0.000	\$0.000	\$0.000	\$0.000	
8	- END -						

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